

WORLD NEWS

EUROPE

GERMAN POLL OPPOSITION SOCIAL DEMOCRATIC PARTY GIVEN UNEXPECTED CHANCE TO DIVERT ATTENTION FROM BAVARIA RESULT

Gaffes hit Kohl re-election campaign

By Ralph Atkins in Bonn

German chancellor Helmut Kohl's re-election campaign hit stormy waters yesterday when he was forced to repudiate a cabinet minister's comments on a possible tax increase and upset allies with remarks of his own on the country's budgeting law.

The slip-ups gave the opposition Social Democratic party an unexpected chance to divert attention from its poor showing in Sunday's Bavarian elections.

Claudia Nolte, the federal family minister, commented in a campaign debate earlier this week on a possible increase in value added taxes after the September 27 elections. That allowed the SPD to deploy a classic election tactic - accusing the government of hiding planned tax increases.

Speaking in Dresden, Mr Kohl insisted that a VAT increase was not on the agenda. "Whatever foolishness you've heard, forget it," he said.

Portraying itself as a tax cutting party, the governing coalition in Bonn has pledged net tax cuts eventually worth DM30bn (\$16.5bn) if re-elected. But Ms Nolte had suggested that VAT would actually be increased to help fund tax cuts for lower income households.

The usually low-profile minister later said her comments were a "mistake made in the heat of the battle". But the government's difficulties were compounded by its initial confused response.

At first Mr Kohl refused to comment on tax plans, and suggested his cabinet ministers should do the same. Next, the government conceded that the basis for its election manifesto tax plans - legislation which was blocked by the Social Democrats in parliament last year - did include provision for financing direct tax cuts through higher indirect taxes, which include VAT.

Subsequently, however, the government hardened its position, arguing that developments since last year and a better inflow of tax receipts had made any increase in VAT unnecessary. "We are not planning an increase in VAT," insisted Theo Waigel, federal finance minister.

Separately, Mr Kohl created fresh tension within his coalition by calling for the removal of exemptions from legislation on bugging by security forces. The exemptions for doctors, lawyers and journalists were inserted after a parliamentary defeat

for the government in March, when members of the Free Democrat party, junior members of Mr Kohl's government, staged a revolt. Both slips threaten to undermine Mr Kohl's efforts to create fresh momentum in the days running up to the election.

Still behind in the polls, he received a boost last weekend from elections in Bavaria, where his sister party, the Christian Social Union, widened its margin over the SPD.

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Russia admits default wrong

By Arkady Ostrovsky

The Russian government yesterday offered to re-negotiate its effective default on \$40bn of domestic debt, or GKOs, acknowledging that the decision which helped spark a banking collapse in the country was wrong.

The offer came as the central bank said it would print money to pay off state debts and to bail out domestic banks, further raising fears of hyperinflation.

Andrei Kozlov, deputy chairman of the central bank, said banks from five Russian regions, including Moscow and St Petersburg, had been ordered to report the level of their debt to depositors. The central bank would then decide how much money needed to be printed, before redeeming that amount of the banks' frozen GKO holdings so that depositors could be paid.

Alexander Shokhin, a deputy prime minister who was unexpectedly brought to the briefing by three EU foreign ministers visiting Moscow, said Russia was ready to negotiate over the restructuring of its domestic debt and the obligations by Russian banks to foreign creditors.

The offer is a welcome sign of moderation from a government whose political colouring remains uncertain a week after it was formed. But despite the news that Russian banks would be compensated for their GKO losses, Mr Shokhin's statement will not have eliminated suspicion among foreign investors of government discrimination.

"We believe it possible to begin negotiations with banks with regard to payments frozen by the central bank and the government, and we are urging those banks to refrain from seizing the assets of Russian banks abroad or freezing those assets," Mr Shokhin said.

He also admitted that the August decision to default had resulted in a confiscation of investment and that the form in which Russia tried to resolve its budget and financial problems did not conform to the existing norms of business practices. But Mr Shokhin said this did not mean Russia would be able to redeem all its short-term debt. "At present, due to the grave financial situation, it would be difficult to meet all the obligations. But we are prepared to negotiate the rescheduling of the obligations of the Russian banks, the extension of appropriate rollover facilities and moratoriums on the part of the creditors."

Survey charts losses by US business

By Arkady Ostrovsky in Moscow

Fifty large US businesses have lost \$500m in Russia as a result of the financial crisis, as well as their confidence in the reform process, according to a survey released yesterday by the American Chamber of Commerce in Moscow.

According to the chamber's survey, 72 per cent of

US businesses which responded cannot access funds frozen in Russian banks and in the Russian treasury bill, or GKO market, while 68 per cent of the companies have not been paid for their goods.

"We all feel we have been hit by a neutron bomb and we have all been irradiated, which means we are alive today but in 30, 60, 90 days some of us are going to die,"

said Scott Blacklin, president of the chamber.

Mr Blacklin said most of the companies had suffered from the devaluation of the rouble, the government's default on the short-term debt market and the collapse of the banking system.

He added consumer companies had been dealt a severe blow by the collapse of the distribution system and a sharp decline in the

spending power of Russian consumers.

The survey finds that 63 per cent of respondents with worldwide revenue of \$1bn saw a significant decline in demand for their products and services, while 40 per cent have been hit by the collapse of the distribution network.

However, all but 1 per cent of respondents say they are prepared to stay in Russia,

although the majority of businesses admit they have had to slash their workforces by almost 30 per cent.

Mr Blacklin said the chamber was concerned by the signs of discrimination between Russian and foreign holders of GKOs. If the Russian government intended to keep investors in Russia, it would have to "open up the system" to a degree of scrutiny it had not been used to.

NIKOLA POPLASEN WEST DEVASTATED BY LIKELY ELECTION RESULT

Bosnian Serb 'victor' tones down rhetoric

By Guy Dinmore in Belgrade

Nikola Poplasen, the ultra-nationalist Bosnian Serb leader on the verge of an election victory that has confounded the international community, is already toning down his rhetoric and speaking like a man ready to do business with his western adversaries.

Final results of last weekend's elections will not be known until next week, but officials privately concede Mr Poplasen has an apparently unassailable lead over Biljana Plavsic, the western-backed president of the Serb-controlled half of Bosnia.

The mood at Mrs Plavsic's campaign headquarters in her stronghold of Banja Luka was sombre. One adviser said she would respect the results and hand over power peacefully, if Mr Poplasen won.

Western diplomats are devastated that all the effort and aid money that has gone into supporting Mrs Plavsic - with the goal of rebuilding

a stable and ethnically integrated Bosnia - has come to nothing.

But Mr Poplasen, leader of the Bosnian Serb Radical party, says he is not about to tear up the Dayton peace treaty that ended the 1992-95 civil war by creating two distinct "entities" - the Moslem-Croat federation and the Serb half, Republika Srpska.

"We have no reasons not to co-operate with the international community, on the contrary," Mr Poplasen told the FT yesterday. "Above all, we have to keep the peace, political stability and the equality of peoples and entities, according to Dayton."

But, he added, his party's ultimate goal of creating a Greater Serbia - that would unite Republika Srpska with Serbia and even parts of the Balkans beyond - had not changed, even though it might take half a century.

"Of course, wishes and reality differ to some extent and any politician should be led by reality. If he respects

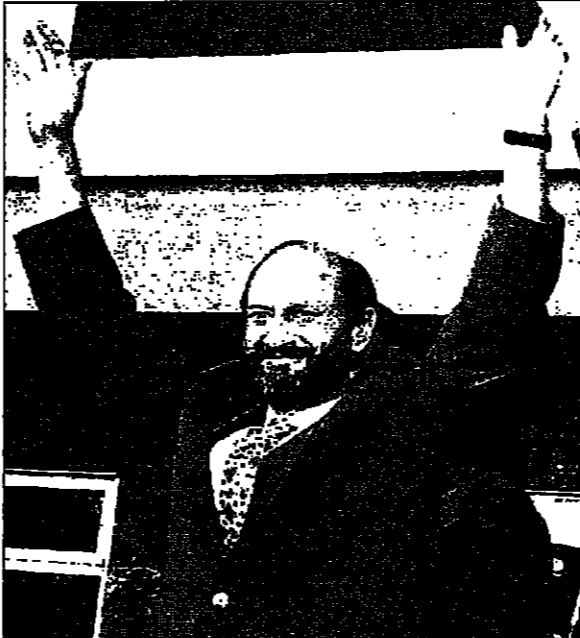
only his wishes, he'll disappear from the political stage."

Mr Poplasen said he still regarded Radovan Karadzic, the former Bosnian Serb leader wanted for war crimes, as a hero.

Western officials took no heart from his remarks. The international community's vision of the post-Dayton Bosnia was of a single, ethnically integrated state that would not need a massive Nato presence to keep the peace. Mr Poplasen's future for Republika Srpska, diplomats say, is an ethnically pure territory that is a state in everything but name.

Mr Poplasen said he would not obstruct Moslems and Croats from returning to their former homes, but neither would he encourage them. Dayton, he said, also provided for the exchange and sale of properties to allow refugees of all ethnic groups to stay where they ended up.

Sources in the Organisation for Security and



Nikola Poplasen: 'Above all, we have to keep the peace, political stability and the equality of peoples'

Co-operation in Europe, which ran the elections, disclosed that in the vote for the 83-seat Bosnian Serb assembly no bloc had achieved an outright majority, as before. The Radical nationalist alliance was on course to win 36 seats, Mrs Plavsic's coalition 29 and the Moslems, voting through absentee ballots, 18.

Officials expected the Radicals to form a broader coalition with nationalist defectors from Mrs Plavsic's coalition and that the western-backed prime minister, Milorad Dodik, would go into opposition.

The one consolation for the west is it appears likely Momcilo Krajisnik, the nationalist representative on the three-man collective Bosnian presidency, has lost to the western-backed candidate, Zivko Radacic.

Crime fighters may find some respite from the financial crisis in Russia, which has hit demand from wealthier Russians for imported goods and could also lower demand for stolen cars.

International gangs like one broken up last year by the Spanish authorities will now have to look for clients closer to home. By the time they were caught the gang had shipped some 2,000 stolen vehicles across Poland to buyers in eastern Europe.

FBI assists Poles in car crime fight

By Christopher Robins in Warsaw

The US Federal Bureau of Investigation yesterday gave the Polish police access to its database of stolen cars, recognising that Poland has become one of the world's "hot spots" for car theft.

The move comes after similar agreements between Poland and west European police forces. Information on cars stolen in Poland is sent to Interpol's central data bank in Lyons, France.

where the Poles can also get information on vehicles stolen abroad.

More than 50,000 cars are stolen each year in Poland, compared with about 120,000 in Germany and 500,000 in the US and Canada. The FBI estimates that about half the cars stolen in the US and Canada are exported.

The agency has identified Poland as a "car theft hot spot", although it says US co-operation with the Polish police is good.

"They have everything in

place," David Loesch, deputy director of the FBI's criminal information services division, said yesterday. He did not know how many cars stolen in North America found their way to Poland.

Improved links between the national police forces in west Europe and Poland have already prompted car thieves to hone their technological skills.

Polish police recently broke up a gang specialising in expensive US-made cars which were stolen in Ger-

many and smuggled into former Soviet states.

Before the stolen cars were dispatched, however, the criminals inserted data from bona fide vehicles of the same make into supposedly secure police computer systems, so fooling frontier guards and policemen conducting random checks.

Even though Polish police now have access to data on cars stolen in west Europe and the US, getting that information to frontier posts and patrol cars on the

streets remains a problem.

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NEWS DIGEST

NEW CHIEF FOR UDF

Former minister to lead French rightwing group

François Bayrou, a former education minister, has easily won the leadership contest for the UDF, the more liberal of France's two main rightwing opposition groupings.

He obtained 88 per cent of the votes, but the size of his victory could not conceal his uphill task in reinvigorating a divided right, still demoralised by its general election defeat in 1997. The leadership change followed the departure of the former defence minister François Léotard, once a presidential hopeful who later tainted by corruption scandals.

In March the UDF was further shaken by internal differences over alliances with the racist National Front in the wake of regional elections. This led to Charles Millon, a UDF heavyweight, breaking with the leadership to ally with the National Front in running the Rhône-Alpes region and a further split by Alain Madelin's Liberal group.

Mr Bayrou heads Force Démocrate, the largest of the five parliamentary groups still under the UDF umbrella. Robert Graham, Paris

RUSSIAN SPACE PROGRAMME

End of the road for Mir

The Russian Space Agency said yesterday it would retire the 12-year-old Mir space station next summer even if the new International Space Station is delayed.

Russia had originally wanted to keep Mir, the world's only orbiting research station, flying until the first astronauts arrived on the new station. But this week officials said a planned July 1999 launch of the first Russian-American crew to the new station is likely to be put off because of Russian delays in building the living quarters.

The \$60bn station brings together the United States, Russia, western Europe, Japan and Canada in the most ambitious high-tech spacecraft ever to be put into orbit. Reuters, Moscow

EU BUDGETS

Brussels reveals 'fraud' costs

A suspected fraud against the European Union humanitarian aid budget could cost around Ecu500,000 (\$580,000), the European Commission said yesterday.

The case involves the alleged diversion of funds from contracts to monitor aid in the former Yugoslavia and Great Lakes region in Africa. In July the Commission announced that an employee had been suspended pending a judicial inquiry in Luxembourg, home of the company which won the contracts.

Emma Bonino, commissioner in charge of humanitarian aid, said the Ecu500,000 related to four contracts with a total value of Ecu2.4m. She described as "fantastic and intolerable" reports that the Commission had employed hundreds of civil servants through hidden budget lines.

Erkki Liikanen, budget commissioner, said there had been flaws in financial administration but said procedures had been tightened since the suspect contracts were signed. Michael Smith, Brussels

CYPRUS DISPUTE

Call for military flight ban

George Robertson, the British defence minister, has urged Greece and Turkey to accept a US-backed ban on military flights over Cyprus. His comments, during visits to Ankara and Athens, were part of the international effort to prevent the deployment of Russian S-300 missiles on the Greek part of the divided island.

He said a no-fly agreement could be monitored through a military radar system controlled by UK forces on Cyprus. It could provide a face-saving way for Glafcos Clerides, the Cypriot president, to avoid installing the missiles.

Mr Robertson said Greece accepted the idea in principle, but wanted it linked with progress on other issues. Turkish leaders oppose an agreement that could be seen as a concession to the Greeks. Kerin Hope, Athens

SLOVAK MEDIA

TV chief deprived of stake

The pro-opposition owner of TV Markiza, Slovakia's dominant commercial television station, has been divested of his stake in the company a week before the country's general election.

Yesterday the broadcasting regulator recognised a court ruling that Pavol Rusko, formerly the general director and co-owner of a 51 per cent stake in the station's operating company, was no longer the owner. It ruled that Gamatex, a private company, now had ownership rights.

TV Markiza has broadly supported the opposition, while the two state-owned stations are widely accused of favouring Vladimir Meciar's government. Robert Anderson

Skirmishing by small parties takes toll on Sweden's political big guns

Disenchanted voters, tired of watching the two main parties trade insults on familiar issues, are switching their support to smaller factions ahead of Sunday's poll, writes Tim Burt

As Swedish elections draw closer, so the tactics of the two main parties have descended into a type of trench warfare. The ruling left-of-centre Social Democrats are pledging to extend welfare services while the rightwing Moderates have promised tax cuts.

But the real campaign battle in the run-up to Sunday's election has been fought and won in the no man's land between the two big parties, where the centrist Christian Democrats and the ex-communist Left party have enjoyed sharply increased ratings.

Recent opinion polls suggest disenchanted Moderate and Social Democrat supporters - tired of watching as the two have traded insults on the familiar issues of Sweden's structurally high unemployment, onerous tax burden and its general welfare system - have

defected in large numbers to the two smaller factions. The Christian Democrats, offering a more compassionate and welfare-friendly version of Moderate policy, has seen its rating rise from 4.1 per cent in the 1994 election to almost 12 per cent.

The Left, promising 100,000 new public sector jobs and a looser fiscal package, has climbed from 6.2 per cent in 1994 to about 12 per cent.

Their gains, however, will deliver one thing only: a prolonged period of horse-trading as the Social Democrats or Moderates try to cobble together a workable government.

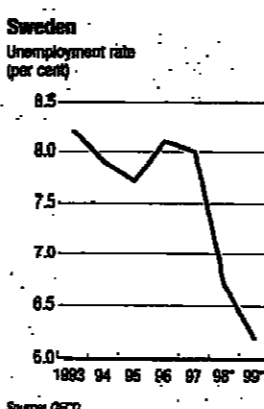
That prospect has dismayed Göran Persson, prime minister and leader of the Social Democrats. Mr Persson, fighting his first election since being promoted from finance minister two years ago, has watched with alarm as support for the Social Democrats has fallen

from 44 per cent in 1994 to about 37 per cent.

He blames the decline on discontent at his austere fiscal policies, imposed to address the 12.3 per cent budget deficit inherited four years ago from a Moderate-led government. To the acclaim of many economists, the Social Democrats have restored public finances and equipped Sweden to achieve a surplus of 0.5 per cent of gross domestic product in 1999 and 2 per cent beyond that.

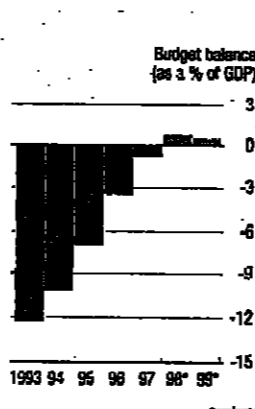
"We are still too indebted and our first priority must be to repay more. I will not lead a government that threatens public finances," says Mr Persson. His party's campaign promises are limited to an offer of SKr9bn (\$1.2bn) of additional benefits - mainly for childcare costs and pensions.

For the opposition parties the government's economic record is a difficult target to



shoot at. Nevertheless, Alf Svensson and Gudrun Schyman, leaders of the Christian Democrats and the Left respectively, have scored highly by criticising the largely cosmetic attempts to reduce unemployment levels and the punitive taxes imposed on middle and low income earners.

While they regard the Social Democrats as a common enemy, the two parties remain polar apart on how to proceed. Ms Schyman wants Swe-



den's prospective surplus allocated to welfare rather than debt repayment. Mr Svensson hopes to form a non-socialist coalition with the Moderates and the smaller Liberal and Centre parties.

Given that the Social Democrats are likely to remain the largest single party, the election outcome will depend on whether Mr Persson can woo the Left or the Christian Democrats without jeopardising his debt repayment and budget targets. If he

fails it could clear the way for Carl Bildt, the Moderate leader and former prime minister, to form a non-socialist coalition.

If this was an emerging market or a young democracy, that uncertain scenario could lead to dangerous political instability and stock market turmoil.

In Sweden, however, the equity and currency markets have been relatively sanguine.

Certainly, a weak minority will not bolster the krona. But economists recognise that Sweden's fragmented political scene means that no party can force through the hefty tax cuts or public spending increases that would seriously threaten the country's current account and budget surpluses.

The market's apparent indifference also reflects the underlying consensus of Swedish politics. Although the Social Democrats are the architects of the welfare state and inextricably linked to the union movement, they have proved capable of administering tough eco-

nomics medicine and cutting spending.

On the other side, none of the non-socialist parties is threatening to dismantle the welfare state or fund tax cuts by plunging the country into deficit.

Indeed, all the parties have shown themselves ready to work together. The most likely result, therefore, is a weakened minority government dominated by Social Democrats working with at least two other parties.

It will be a political watershed for Sweden only if Social Democrat support crumbles so much that it is forced to bury its pride and form a formal coalition. Unlike its left-of-centre counterparts in Finland and Denmark, the Swedish Social Democrats have tried to govern alone for most of the past 55 years.

That may be about to change, as Mr Persson seems ready to admit. "It is difficult and dangerous to speculate about the [party] combination after the election," he says. "But the SPD will have a key role to play."

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EUROPE

SPANISH AIRLINES THREE CARRIERS CHARGED AFTER FARE RISES

Iberia accused of ticket price-fixing

By Tom Burns in Madrid

Iberia, Spain's state-owned national carrier, and its two main private-sector competitors have been accused of price-fixing in a government report to Madrid's competition tribunal. They could be fined up to 10 per cent of their respective turnovers.

A spokesman for the tribunal said yesterday a ruling on the charges awaited resolution of a civil action on fraud allegations against the three airlines that have been separately initiated in the courts by consumer groups.

Under Spain's legal system, court actions take precedence over those of administrative bodies such as the competition tribunal.

The two proceedings, which relate to simultaneous fare increases in April last year by Iberia, Air Europa and Spanair that levelled the price of air tickets on all domestic routes, are the first competition-linked actions to affect Spain's airline industry since it was deregulated in 1983. The three carriers deny the charges.

The fare increases summarily ended an aggressive cheap ticket policy that was launched by Iberia last year to undercut more attractive pricing introduced by the privately-owned carrier Air Europa, and Spanair, which has SAS as a partner.

The government's report said the two private-sector airlines were driven into a precarious financial position by Iberia's low pricing, and that Iberia made a deal because it feared they would both be acquired by foreign groups with sufficient resources to maintain the price war.

In its 50-page report to the tribunal, the government's investigating authority said the three airlines, which account for 96 per cent of domestic air travel between them, had exchanged information on prices, promotions and commissions to affect travel agents prior to raising

their fares on the same day by between 10 and 30 per cent.

For Iberia, which posted pre-tax profits of Pta10bn (\$69m) on a turnover of Pta242.8bn for the five months of this year, the charges come at an embarrassing time. The state-owned airline is preparing for its privatisation and is simultaneously locked in a bitter dispute with its pilots, who have threatened strike action to press for a 19 per cent wage rise.

The privatisation involves acquisition of about 10 per cent of Iberia's equity by British Airways and American Airlines, the purchase of a further 30 per cent by domestic institutions and a stock market flotation that is provisionally scheduled for the first half of next year.

The disposal still waiting for final agreement with BA and the US airline, the two strategic allies chosen by Iberia to bolster its international business.

ULSTER PARALLELS HISTORY OF CONTACTS WITH SINN FEIN

Basques learn from N.Ireland peace moves

By Jimmy Burns in London

Eta's announcement of a general ceasefire follows an intensification of contacts over the last year between the Basque guerrilla organisation's political wing, Herri Batasuna, and representatives of Sinn Féin, the political wing of the Irish Republican Army.

Basque interest in the experience of the Northern Ireland peace process began to gather pace last year, with discreet meetings between Herri Batasuna members and British and Irish intermediaries who helped broker the IRA ceasefire in 1994 and 1997.

There have also been a number of direct meetings between Irish republicans and Batasuna sympathisers both in Northern Ireland and the Basque country over the last year, some less public than others.

The main lesson Eta appears to have drawn from the Northern Ireland experience is tactical. The IRA ceasefire has helped raise

republicanism's political profile, maintained alliances within the nationalist community, and secured concessions, such as the release of prisoners and moves towards demilitarisation by the British security forces.

However, both Spanish and UK security officials, conscious of the differences between Northern Ireland politics and its Basque counterpart, believe the IRA commitment to a cessation of violence is at this stage more solid than Eta's.

An important difference is that Sinn Féin's leadership is regarded as a persuasive link with the IRA military leadership, whereas Batasuna has never had the same influence on Eta.

Sinn Féin has also been open to persuasion by its US supporters about the advantages of peace, and has relied on the Dublin government to help smooth some of the more intractable aspects of its relations with the UK government.

While the IRA is thought to have helped train Eta in

the use of some armaments during the 1980s, there have been no logistical or financial links between the two groups in more recent times, security officials believe.

Eta has been increasing cautious about its military links with non-Basque groups. It suspects that a number of its activities in recent years have been undermined because of "sting" operations conducted by Spanish and other European intelligence services using foreign agents.

In recent months the main concern for Spanish and UK security officials has been to monitor any possible contacts between Eta and dissident Irish republican groups opposed to the ceasefire by the mainstream IRA.

Although there is no evidence that such contacts have taken place, security officials have not discounted that they might be attempted in the future. Such a step could lead to logistical co-operation between the two groupings.

CAR SALES MARKET MAY FALTER IN SEPTEMBER

Financial crises fail to stop August growth

By John Griffiths

Fears of global recession caused by "contagion" from the Asian and Russian financial crises have yet to have a serious impact on western Europe's buoyant new car market.

Registration statistics for August continue to show growth over 1997, although manufacturers are braced for a possible faltering of sales in September.

Figures from the European Automobile Manufacturers' Association (ACEA) do show a slackening of the pace of market growth in August, to 2.5 per cent compared with the same month a year earlier.

However, this was accounted for almost entirely by an 11.4 per cent fall in Italy caused by the end of government purchase incentives, and a 3.8 per cent drop in the UK, where the August sales "bulge" caused by the introduction of a new registration letter, did not meet industry expectations.

The German market rose by 5.6 per cent year on year in August and the French by 18.2 per cent; however, the latter also reflected market distortions from incentive programmes.

The year-on-year rise for July was 9 per cent. (ACEA publishes the July and August figures simultaneously.) Registrations for the first eight months of the year, at 10,010,435, were 6.9 per cent higher than a year ago.

Within the total, manufacturers' and importers' fortunes varied widely in August.

Korean manufacturers achieved a 25.1 per cent year-on-year rise in the month, reflecting a continuing export drive to compen-

West European new car registrations January-August 1998

| | Volume (Units) | Volume Change (%) | Share (%) Jan-Jul 98 | Share (%) Jan-Jul 97 |
|-----------------------|-------------------|-------------------|----------------------|----------------------|
| TOTAL MARKET | 10,010,435 | +6.9 | 100.0 | 100.0 |
| MANUFACTURERS: | | | | |
| - Volkswagen group | 1,755,458 | +8.2 | 17.5 | 17.3 |
| - Audi | 1,054,195 | +5.7 | 10.5 | 10.7 |
| - Seat | 339,855 | +5.7 | 3.4 | 3.4 |
| - Skoda | 287,854 | +14.7 | 2.8 | 2.4 |
| - Fiat group/Alfa | 1,044,552 | +42.3 | 10.4 | 0.8 |
| - Fiat | 1,139,184 | +2.7 | 11.4 | 11.9 |
| - Lancia | 883,961 | -2.2 | 8.8 | 9.7 |
| - Alfa Romeo | 129,036 | +3.2 | 1.3 | 1.3 |
| - PSA Peugeot Citroen | 1,139,297 | +7.9 | 11.3 | 11.2 |
| - Peugeot | 645,545 | +5.7 | 6.4 | 6.5 |
| - Citroen | 493,752 | +10.9 | 4.9 | 4.7 |
| - General Motors | 1,122,893 | -1.2 | 11.2 | 12.1 |
| - Opel/Vauxhall | 1,084,445 | -2.4 | 10.8 | 11.7 |
| - Saab | 51,490 | +24.5 | 0.5 | 0.4 |
| - Ford group | 1,089,247 | +0.3 | 10.7 | 11.4 |
| - Ford | 1,051,237 | -0.1 | 10.5 | 11.2 |
| - Jaguar | 16,040 | +30.7 | 0.2 | 0.1 |
| - Renault | 1,054,540 | +18.3 | 10.5 | 9.7 |
| - BMW group | 581,605 | -0.7 | 5.8 | 5.8 |
| - BMW | 305,682 | -1.1 | 3.1 | 3.3 |
| - Rover | 275,923 | -0.3 | 2.8 | 2.5 |
| - Mercedes-Benz | 419,533 | +24.2 | 4.2 | 3.8 |
| - Volvo | 182,237 | +8.2 | 1.8 | 1.6 |
| - Toyota | 306,114 | +18.5 | 3.0 | 3.1 |
| - Nissan | 303,598 | +5.1 | 3.0 | 3.1 |
| - Honda | 180,987 | +5.5 | 1.8 | 1.8 |
| - Mazda | 146,112 | +10.5 | 1.5 | 1.4 |
| - Mitsubishi | 127,433 | +4.5 | 1.3 | 1.3 |
| - Total Japanese | 1,205,574 | +10.7 | 12.0 | 11.6 |
| - Total Korean | 252,145 | +33.2 | 2.5 | 2.2 |
| MARKETS: | | | | |
| - Germany | 2,519,222 | +3.8 | 25.2 | 25.8 |
| - Italy | 1,730,300 | -4.8 | 17.3 | 17.8 |
| - United Kingdom | 1,680,100 | -3.8 | 16.8 | 17.3 |
| - France | 1,267,722 | +11.6 | 12.5 | 11.9 |
| - Spain | 785,855 | +15.1 | 7.8 | 7.4 |

*VW holds 70 per cent share and management control of Skoda. Skoda's cars imported from UK and sold in western Europe. *Old holds 50 per cent and management control of Saab Automobile. *V8 Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati. Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Eta ceasefire a challenge to the Aznar government

The truce comes at a time when there is no consensus in Spain on how to deal with Basque separatism, writes David White

Despite official caution and widespread scepticism, the unilateral truce announced by the armed separatist organisation Eta is the nearest thing to a breakthrough in Spain's violent Basque conflict for nearly a decade.

Eta's announcement of a "general ceasefire" starting today, five weeks away from Basque regional elections, is the first time it has halted attacks for an indefinite period since it began its bombing and shooting campaign 30 years ago.

Its move is seen partly as a result of clampdowns by Spanish and French police against the organisation itself, and by Spanish courts against its political wing, whose entire leadership was sent to jail last December.

But it is also significantly influenced by the example of Northern Ireland's peace process, which has raised expectations among Basque nationalists about the possibility of a political outcome.

When the Northern Ireland agreement was concluded in April, Eta said it was "ready to learn" but went on to commit three more murders in May and June. It has not attacked since then.

Its communiqué, sent in the Basque language to two newspapers, announced an "unlimited suspension of armed actions" - similar to the ceasefires which the IRA called in 1994 and again, after breaking that one, in 1997.

Its previous truce offers were for fixed periods and

tied to explicit conditions. Apart from a one-week truce two years ago, it had not called a ceasefire since early 1989 at the time of the last official contacts, in Algeria, between the Spanish administration and Eta. That respite lasted three months.

The timing of its latest initiative appeared aimed at wrong-footing the government, with the prime minister, José María Aznar, away on a trip to Colombia and Peru and his Popular party at loggerheads with the Socialist opposition.

Unlike the case with Great Britain and Ireland, public opinion in the rest of Spain is hostile to political concessions to Basque radicalism. Spain is far from a political consensus on how to approach the problem of Basque violence, and no figure has yet emerged on Eta's political side with an authority comparable to that of Gerry Adams, the Sinn Féin leader.

Eta's move also drives a wedge between both of the main national parties and Basque political forces as they prepare for regional

The Eta move was significantly influenced by the example of Northern Ireland's peace process

elections on October 25. Its statement passed responsibility to the Madrid government, setting no specific conditions but plainly threatening to resume hosil-



A masked youth at an Eta demonstration earlier this year

ing up for weeks about a truce, regarded by many as a pre-election gambit. In the last Basque election four years ago there was no official ceasefire but Eta held off from terrorist attacks during the campaign to help its political wing, Herri Batasuna (HB), which won 16 per cent of the vote.

The ceasefire announcement was the fruit of talks which the Basque Nationalist party (PNV), the region's leading political force, held through the summer with HB's new leadership. The PNV has insisted on keeping lines open with HB, at the cost of a rift in June with the Socialists, its longtime coalition partners in the Basque government.

PNV leaders have suspected the centre-right Madrid government of preferring to tolerate a certain level of violence rather than risk a combined front of nationalist parties coming to power in the Basque country.

The ground was laid for the ceasefire by a weekend declaration by Basque and Communist parties proposing open-ended talks. Unlike an earlier PNV attempt to launch a peace process involving all parties, the declaration did not rule out participation by Eta itself and accepted that a definitive ceasefire might not come until the end of the talks.

Endorsed by the PNV-led Basque government, it fore-saw discussions extending to the issues of self-determination, independence and Spain's 1978 constitution.

But the constitution is something neither of Spain's main parties wants to tamper with, fearing they could be opening a Pandora's box.



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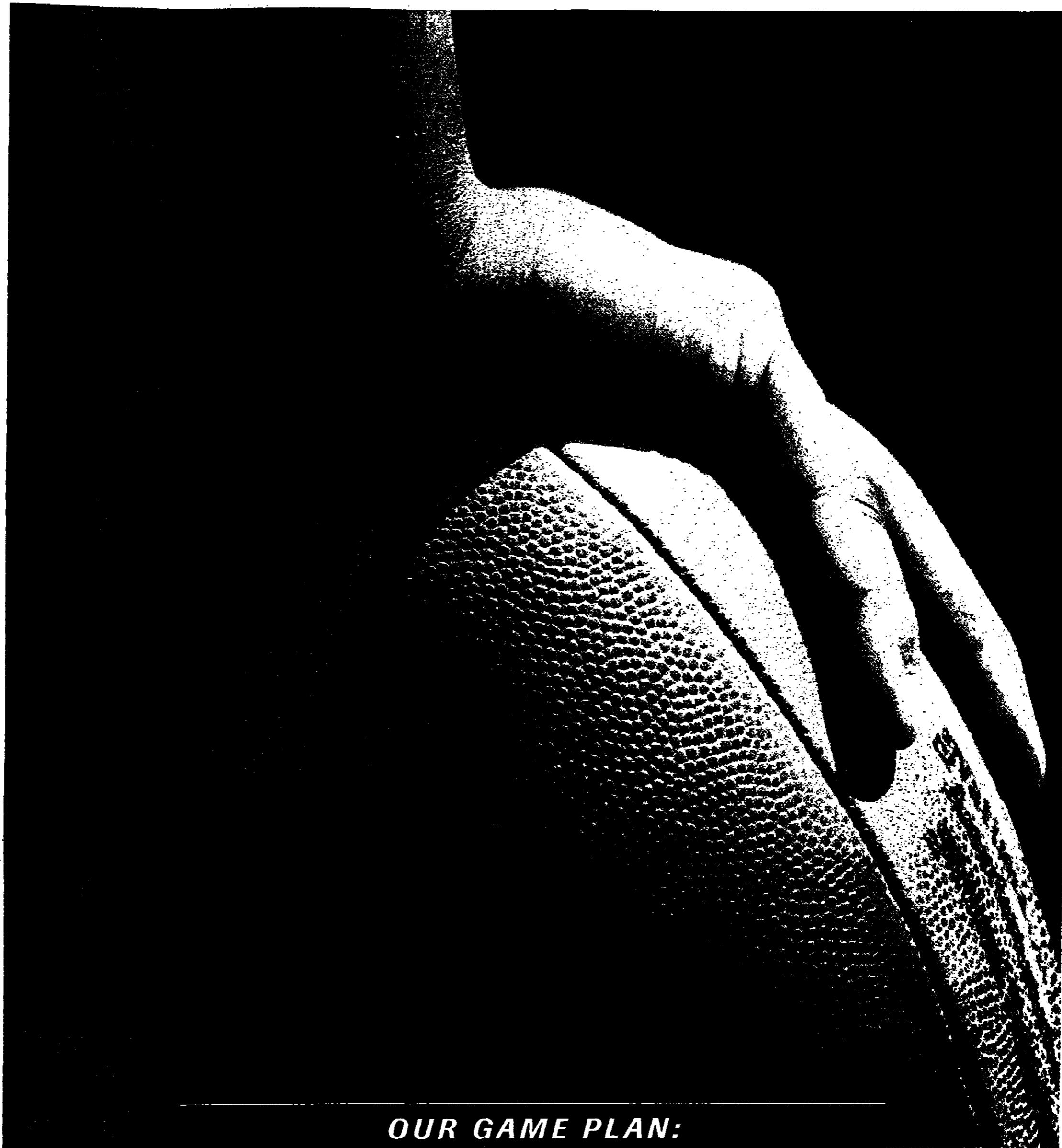
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INTERNATIONAL

THE WORLD ECONOMY BANKERS QUESTION ABILITY OF BIG THREE NATIONS TO ACT TOGETHER

Doubts surround hope of co-ordinated action

By Stephen Fidler
in Washington

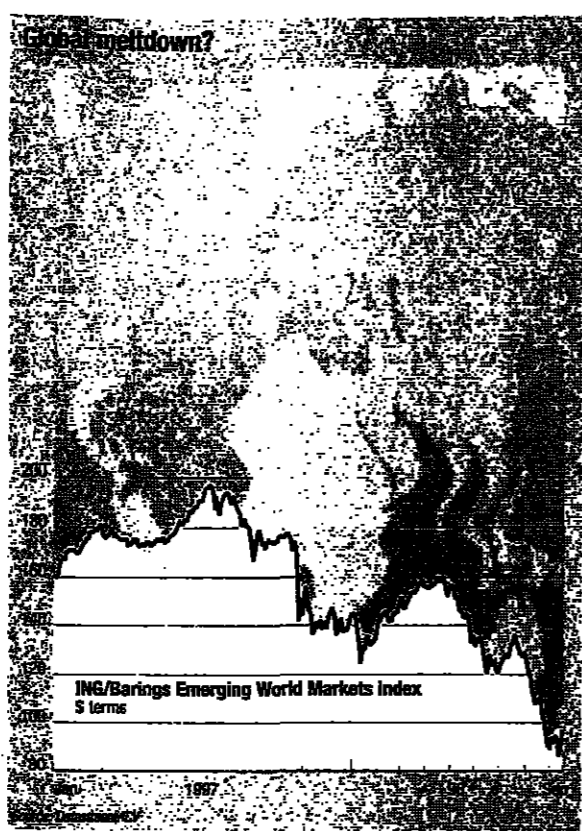
Finance ministers and central bank chiefs in the industrialised world signalled on Monday that they had woken up to the dangers to their own economic stability by the turbulence in world financial markets.

But statements since then from some of the signatories - coupled with differences in viewpoints and economic priorities among its member governments - have raised questions about their willingness at this stage to act in concert to prevent the crisis from spreading further.

The statement from the Group of Seven acknowledged that "the balance of risks in the world economy had shifted" - away from inflation and towards a slowing of growth, and was accompanied by a strong speech from President Bill Clinton in New York, outlining the depth of US concern about financial turbulence.

The G7 governments "emphasised their commitment to preserve or create conditions for sustainable domestic growth and financial stability in their own economies. In this context, they noted the importance of close co-operation among them at this juncture".

This was taken as a hint that central banks would



stand ready to respond with interest rate reductions to stave off further turmoil. Yet, since then, some of the officials in whose name the statement was issued have indicated that they think differently. On Wednesday, Alan Greenspan, chairman

of the US Federal Reserve Board, gave no hint that he was yet ready to cut rates. Hans Tietmeyer, the Bundesbank president, said on Tuesday: "It is wrong to see the statement as a signal for global relaxation of monetary policy."

Mr Tietmeyer's view was implied in the G7 communiqué, which pointed to "some encouraging developments as regards domestic demand growth in continental Europe".

This suggests that Germany, in the apparent early stages of its growth cycle, believes it has little room to cut rates. Moreover, with central bankers trying to establish their anti-inflation credentials going into monetary union, they may prefer, even more than usual, to err on the side of caution.

Given that Japan's interest rates are near zero anyway and Canada's currency weakness gives it little room for manoeuvre, any talk of co-ordinated interest rate cuts is therefore limited to the US and the UK. So was the statement anything more than an expression of wishful thinking and does the talk of close co-operation mean anything?

Michel Camdessus, managing director of the International Monetary Fund, said: "Co-ordination of macroeconomic policies across the world is not cutting interest rates in a kind of across-the-board or uniform way. You will never have that, particularly when the United States is at the end of its expanding cycle while Europe is starting it." He said however, that there was

room for other European economies to lower interest rates towards German levels - and also large scope for the continent's finance ministers to contribute by lowering budget deficits.

Beyond this, however, important differences have opened up within G7 governments about how the crisis has been handled so far - and how to deal with it moving forward. This includes a questioning by both Japan and Germany of the economic model that has been promoted by the US Treasury and the IMF since the end of the cold war.

Japanese officials, whose plan to create a big Asian-style IMF was rebuffed last year by the US, also believe the IMF mishandled the Asian financial crisis.

Some German officials, meanwhile, blame the US and the IMF for getting Russia wrong, in particular for emphasising the opening of capital markets - in which US financial institutions have been very heavy speculators - while ignoring for too long an underdeveloped banking system. Moreover, they doubt the efficacy of global interest rate cuts in reducing the spread of financial contagion to Brazil, whose problem they view as essentially an excessive fiscal deficit.

They also remain concerned

about "moral hazard". In other remarks by Mr Tietmeyer this week, less reported, he said big speculators should not be bailed out by more conservative investors. Meanwhile, comments by Stanley Fischer, the IMF's deputy managing director, published in a German newspaper following an interview he apparently believed was off the record, have not enamoured the institution to the Kohl government. He suggested the election considerations of the Kohl government were one factor in its decision not to push in more funds to Russia ahead of its devaluation last month.

Beyond these differences of approach, the forthcoming election in Germany, Mr Clinton's domestic problems - which means he will find it hard to persuade Congress of the need for bilateral US financial support for Latin America, for example - and Japan's own economic and political weaknesses are also raising questions about the ability of the three leading economies to act - even if they agree what to do.

This has left a role for Britain in trying to help the US Treasury galvanise a co-ordinated approach among governments that are not yet unified in their view of the cause, solution and seriousness of the crisis.

NEWS DIGEST

US OPINION

American public warms to the United Nations

Most Americans give the UN its highest approval rating since 1980 and believe that the world body is "very important" for US interests, according to a survey released yesterday. The poll showed that 72 per cent viewed the UN as "very important for American engagement", an increase of 54 per cent over three years ago, and that 60 per cent said the UN was doing a "good job", up from 49 per cent.

The survey comes with the US in danger of losing its vote in the General Assembly unless Congress approves the payment of its outstanding dues to the UN. The results show that Americans by a three-to-one margin favour paying \$1.6bn in dues. Laura Silber, New York

AFRICA'S FRANC ZONE

Asia crisis cuts growth outlook

The Asian crisis is expected to cut growth prospects among the 15 west and central African countries belonging to the franc zone by 0.5 per cent this year, according to the annual report of the zone's monetary committee.

The report says the worst affected sectors would be limited because of the small degree of trade with Asia. As a result 1998 growth is expected to hold at an average of 5 per cent. This compares with last year's 6 per cent for west African countries and 4.7 per cent for the central African nations in the zone. The 1997 performance was the third consecutive year in which growth outstripped the rest of sub-Saharan Africa. But the report warns higher growth rates will require more long-term investment. Growth benefited from low interest rates and inflation varying from 3.5 per cent to 5 per cent among the 15. The franc link will be replaced by the euro when full European monetary union begins in 2002 and the report says this should help franc zone exports. Robert Graham, Paris

IRAN-AFGHAN CRISIS

Albright to join talks

Madeleine Albright, US secretary of state, will meet Kamal Kharrazi, Iran's foreign minister, next week for the highest level contact between the two countries since immediately after Iran's Islamic revolution and the seizure of the US embassy in Tehran in 1979, US officials confirmed yesterday. The meeting will be part of an eight-nation discussion aimed at pushing a diplomatic solution to the worsening crisis between Iran and Afghanistan. It will follow an address by Mohammed Khatami, Iran's reformist president, to the UN General Assembly early next week.

The group hopes to head off threats of a military confrontation between Iran and Afghanistan's Taliban militia. Mullah Mohammed Omar, the Taliban leader, yesterday threatened Iran with a "war which will last 20 years" if Iran took military action in response to the Taliban killing of Iranian diplomats and Shia Muslims in Afghanistan.

Sartaj Aziz, Pakistani foreign minister, flew to Tehran yesterday in an effort to ease the growing strain on Iranian-Pakistani relations caused by Pakistan's continued support for the Taliban.

Mark Huband, Tehran and Farhan Bokhari, Islamabad

Lack of maps for Middle East road to peace

By Judy Dempsey in Jerusalem

When Dennis Ross, US Middle East envoy, met Palestinian negotiators over the past two weeks, they asked: "Where are the maps?"

The maps are supposed to show from which part of the West Bank Israel will withdraw under the 1995 Israeli-Palestinian Interim Agreement. And since the amount of land in question is 13 per cent, western diplomats remain baffled as to why Israel will not present any maps.

The Palestinians have accepted a US proposal, drawn up last February to

break the 18-month deadlock in the Israeli-Palestinian negotiations. It envisages Israel handing over 13 per cent of land, well below Palestinian original expectations of 30 per cent and above Israel's earlier 6 per cent offer. Madeleine Albright, US secretary of state, believed it could help restart negotiations.

Instead, Benjamin Netanyahu, Israeli prime minister, whose advisers claim is now willing to accept the US plan, has introduced so many "ifs" as to make the Palestinians wonder if they will reach agreement on the second Israeli pullback by

May 4 next year. That is when Yassir Arafat, president of the Palestinian Authority, plans to declare a Palestinian state.

Mr Netanyahu wants to place 3 per cent of the 13 per cent in a "nature reserve" without clarifying its future status or its location. "How can we negotiate without maps, without plans," Saeb Erekat, Palestinian negotiator, told Mr Ross. Mr Ross replied: "You have a point."

There were other outstanding issues, dating back to the 1993 Declaration of Principles on interim self-government arrangements that Mr Ross tried,

without success, to nail down this week. No definition of a safe passage between the West Bank and Gaza and its security implications was reached. Israel rejected a memorandum of understanding drawn up by the CIA last December to monitor how both sides would fight terrorism. Meanwhile, wrangling over operating an airport and sea port in Gaza continued.

"A detailed package was on the table, exactly what the US plan is about," said a senior Palestinian. "Everything is linked. We would refuse to accept an airport tomorrow because we do not

trust Netanyahu to then go ahead with the redeployment." Israel says it refuses to go ahead with the pullback because it does not trust the Palestinians to fight terrorism.

But because the US package is tied to a redeployment agreement, diplomats say Mr Netanyahu is reluctant to sign up. Until now, he has managed to break down the Oslo accords, isolating the issues from each other in a bid to renegotiate them out of the context of Oslo. This is how he negotiated the troop withdrawal from Hebron in January 1997. Belatedly, the US plan is an

attempt to put Oslo back on track with the aim of reaching some agreement before next May.

The Palestinians say they want the plan wrapped up before May. If there is progress on land, the ports, the corridor, it could lead to final status talks. In turn, Mr Arafat might desist from declaring a state while negotiations continue.

But what does Mr Netanyahu want? He said on television this week he would cancel the Oslo accords if Mr Arafat declared a state next May - "a very high risk strategy," says a close aide.

BAYER ON MID-YEAR FINANCIAL RESULTS



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Chairman and CEO
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Group Sales, First Half, DM million

| | | |
|--------|--------|-----|
| 29,000 | | |
| 28,000 | 28,387 | |
| 27,000 | 27,418 | |
| 26,000 | | |
| | '97 | '98 |

Operating Result, First Half, DM million

| | | |
|-------|-------|-------|
| 3,000 | 2,959 | 3,065 |
| 2,000 | | |
| 1,000 | | |
| 0 | | |
| | '97 | '98 |

WORLD TRADE

SHIPPING LINES STRUGGLE TO IMPROVE REVENUES AS ASIAN TRADE TURBULENCE GROWS

Fines compound operators' sea of troubles

By Charles Batchelor, Transport Correspondent

The record fines imposed this week on 15 shipping lines for price-fixing abuses could not have come at a worse time for an industry attempting to cope with turbulence in its Asian business.

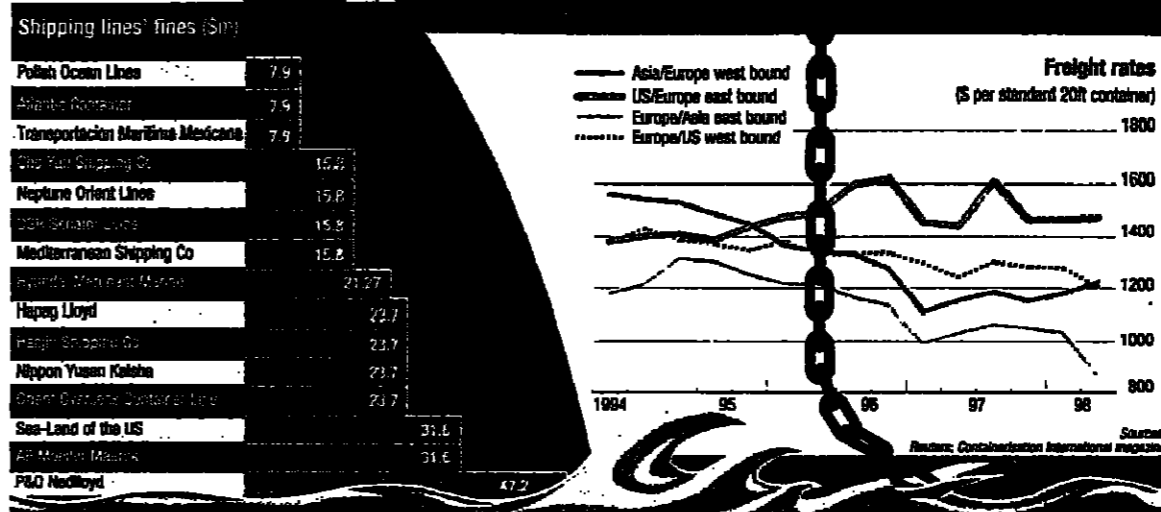
The decline in Asian imports and rise in exports have made it more difficult for shippers to balance their schedules and boosted the costs of repositioning their container "boxes". While outbound freight rates from Asia have risen, inbound rates have fallen.

Lord Sterling, chairman of P&O, says his main concern was for the impact of the European Commission's fines on the balance sheets of the smaller members of the Transatlantic Conference Agreement. But even the larger container lines have come under pressure in recent months.

Neptune Orient Lines, the Singaporean carrier, this week forecast a loss in 1998 while P&O Nedlloyd last month announced a 39 per cent fall in second quarter profits "as a direct result of the crisis in Asia".

The container shipping

| Shipping lines' fines (\$m) | |
|---------------------------------|------|
| Polish Ocean Line | 7.9 |
| Atlantic Container | 7.4 |
| Transportation Maritime Mediana | 7.9 |
| Sea King Shipping Co | 15.0 |
| Neptune Orient Lines | 15.0 |
| SEA-SHIP Lines | 15.0 |
| Mediterranean Shipping Co | 15.0 |
| Golden Breeze | 21.7 |
| Hapag Lloyd | 22.7 |
| REGAL Shipping Co | 22.7 |
| Nippon Yusen Kaisha | 23.7 |
| Shen Nanyang Container Line | 23.7 |
| Sea-Land of the US | 31.6 |
| PSA-MSC | 31.6 |
| P&O Nedlloyd | 47.2 |



lines which serve the north Atlantic have been under fire from their customers, the shippers, ever since they put in place an agreement to regulate rates and capacity in September 1992.

The Trans Atlantic Agreement (TAA), as it was then known, covered 85 per cent of sailings across the north Atlantic and pushed up rates by up to 100 per cent.

The shipping lines argued that the TAA was essential

to stem their ruinous losses. On some trades rates had fallen by 50 per cent and in the four years to 1993, when TAA started to make an impact, total losses on the north Atlantic routes reached an estimated \$650m.

The shippers attacked the TAA as an illegal cartel and said shipowners were over-stating their losses.

In legal terms, the dispute which has continued for the past five years has centred

on conflicting interpretations of European regulation 4056, which exempts liner "conferences" from competition rules.

In practical terms it has centred on objections by Karel Van Miert, competition commissioner, to the shipping lines quoting inclusive rates for the sea and land parts of a journey; to the agreement's control of capacity as well as rates; and to clauses in the agreement

which allow members to charge differential rates, in contravention of the normal rules.

Under pressure from the Commission, the shipping lines came up with compromise proposals and a new agreement - TACA - in 1994 which dropped the constraint on capacity. This did not stop the Commission outlawing the TAA in October 1994, however.

A further sign that the

Commission was determined to roll back the scope of conferences became evident in March 1995 when the 14 members of the Far Eastern Freight Conference were each fined a "symbolic" Ecu10,000 (\$10,900) for fixing prices for the land part of journeys.

The shippers are jubilant that their long campaign against the two north Atlantic conferences appears to have been successful although TACA has said it will appeal. Lord Sterling, P&O chairman, forecast a long battle "which only the lawyers will win". Attempts to negotiate a deal with the Commission will continue.

Regardless of the outcome of the legal battle, the traditional conference system appears to have had its day.

In recent years the container lines have opted for a system of looser "alliances", which do not include price-fixing agreements.

But even alliances can be clumsy and some companies have preferred outright mergers to gain economies of scale.

Whether these tactics will overcome the chronic overcapacity which has kept returns low in the container sector remains to be seen.

Internet and phone experts seek harmony

By Louise Katoe, In San Francisco

Internet and telecommunications standards groups are pledging to collaborate in an effort to ensure that technical standards do not clash as the worlds of data and telephony converge.

The technologists also hope that by presenting a united front they will be better able to ensure that technical standards for the internet do not become a political football in the international trade arena.

The Internet Society's Internet Engineering Task Force (IETF), which agrees new technical standards for the internet, has agreed to collaborate with the International Telecommunication Union, a Geneva-based organisation that is the recognised standards body for the telecommunications industry.

The groups plan to share the role of determining technical standards for new services on the internet. Their agreement grew out of a recently completed joint effort to set standards for sending facsimile messages over the internet.

The agreement bridges the hitherto separate worlds of telephony and computer communications. "With the rapid convergence of technologies in the telecommunications world, it is vital that organisations involved in these technologies develop productive ways of working together," said Scott Bradner, Internet Society vice president of standards.

The move could also help to bolster the internet group's status among international standards-setting bodies. The IETF has felt under siege by various government-backed standards groups, all seeking a role in the internet standards process, said Mr Bradner.

With national governments, international political and economic groups, as well as businesses, now taking a close interest in the internet and electronic commerce, some technologists fear that the establishment of new internet standards

could become bogged down by political and international trade issues.

In particular, the technologists are determined to preserve their consensus-building approach, which involves technologists from around the world debating technical issues via electronic mail and bulletin boards. This avoids the bureaucratic processes that often delay new standards in other technology sectors.

This may be crucial, because there is a widely held belief among leading US computer and software companies that traditional standards-setting organisations are too ponderous to keep pace with rapid developments in internet technology.

Rather than wait for standards groups to act, the US computer industry frequently adopts *de facto* standards long in advance of *de jure* standards which hold greater sway in Europe. Avoiding such a split, which is frequently accompanied by suspicion that the standards-setting process is used to create trade barriers, may be vital to the future of electronic commerce.

Frederick Stüdemann adds from Berlin: Information technology industry groups yesterday urged governments not to over-regulate electronic commerce and risk stifling a nascent business sector.

At a conference of international IT associations in Berlin, delegates agreed a framework document calling for a simple, globally harmonised legal framework for electronic commerce.

To bolster the security of transactions and promote customer trust, delegates said the use of strong cryptographic technology should be unrestricted.

They also said electronic commerce should be treated as a normal commercial activity and not subject to any additional taxation. The recommendations, which place the emphasis for ensuring encryption and data protection on industry and not governments, will be presented to next month's OECD Ottawa conference on electronic commerce.

Lufthansa places \$2.3bn orders

By Graham Bowley in Munich

Lufthansa, Germany's highly profitable airline, yesterday announced orders worth \$2.3bn for 42 aircraft from Airbus, McDonnell Douglas and Bombardier.

Airbus will supply 10 long-haul A340-300 planes and six A321-200 carriers for short and medium hauls.

Lufthansa has been a long-standing customer for both aircraft manufacturers and its passenger airline fleet is split equally between the two types of planes. Lufthansa said yesterday it was still Airbus' biggest airline customer.

Bombardier, the Canadian manufacturer, will supply Lufthansa's regional fleet with 10 50-seater Canadian Jet CRJ100's and 10 new 68-seater Variante CRJ700's. McDonnell Douglas, which is part of the Boeing empire in the US, will supply six MD11F planes to Lufthansa's cargo division.

Airbus is a consortium owned by Daimler-Benz Aerospace (Dasa) of Germany and Aerospatiale of France, each of which owns 37.9 per cent, British Aerospace, which has a 20 per cent stake, and Casa of Spain, which has 4.2 per cent.

Lufthansa has 309 aircraft in its total fleet, including 210 passenger planes.

Separately, Lufthansa's supervisory board yesterday said the airline would invest around DM\$30m (\$387m) to help build and operate a second terminal at Munich airport. It would take a 40 per cent stake in a joint venture with the publicly-owned Munich Airport Authority.

Lufthansa is growing rapidly, helped by expansion of its international flights via the Star Alliance. But it is also tightening its grip on the domestic market where it makes a loss and faces stiff competition from rivals such as British Airways.

China warns on cotton duties

By James Kynge in Beijing

China accused the European Commission yesterday of protectionism over its proposals to consider anti-dumping duties on unbleached cotton imports, and warned of a "very strong" response if duties were imposed.

The EU's executive was thought likely to produce new anti-dumping duty proposals against five developing countries, including China, after its attempt to impose five-year duties was defeated this week in a vote by the EU's 15 member states.

China is stepping up its lobbying efforts before a final vote by ministers on the issue by October 9.

Zhang Yujing, director general of the department of treaty and law at the ministry of foreign trade and economic co-operation, said the EU should take into account the contribution China was making to Asia's economic stability by not devaluing its currency.

China's textile industry has been hit by Asia's crisis as competitors in other countries have benefited from currency depreciations. Textile officials expect no growth in exports this year, after a 23 per cent increase last year. Mr Zhang said that the Commission's proposals were irrational because the price of Chinese unbleached cotton exports to Europe had increased by 18 per cent over the last two years.

"We believe this is 100 per cent trade protectionism by the EU, motivated by some member states," said Mr Zhang. He noted that the UK, Germany and other countries opposed the anti-dumping duties, but that France, Italy, Greece, Spain and Portugal supported them.

"The 1930s depression was caused by protectionism," he added.



NOKIA
CONNECTING PEOPLE

ASIA-PACIFIC

LDP close to deal on bank nationalisation

By Michio Nakamoto
and Paul Abrahams in Tokyo

Japan's ruling Liberal Democratic party was last night poised to conclude a landmark deal with the opposition permitting the nationalisation of the country's troubled banks. High-ranking officials of the ruling LDP and opposition groups met late last night to discuss the last remaining issues over which the two sides have yet to agree.

The LDP was determined to reach a deal last night, to allow Keizo Obuchi, the prime minister, to produce evidence of concrete progress on banking reform measures when he meets Bill Clinton, the US president, next week. The LDP said late last night it was working towards a meeting of Mr Obuchi and Naoto Kan, leader of the main opposition party, the Democratic Party of Japan, before the end of the night.

The LDP's strong push for an agreement suggested it was ready to make further compromises in its negotiations with the opposition.

Political leaders on both sides yesterday indicated an agreement was imminent. Mr Kan said earlier in the day he expected an agreement based largely on the opposition's proposals, "within 24 to 48 hours".

Mr Obuchi added, "Time is running out, so I will make a decision if a final judgment is needed".

LDP officials noted that resistance within the party to some elements of the opposition's proposals meant a political decision was needed from Mr Obuchi. However, it appeared the LDP leadership was willing to accept most opposition demands, most controversially the temporary nationalisation of ailing banks.

The need for a swift conclusion to the political

impasse over banking reform was underlined by further dire economic data released yesterday. Problems in the private sector, which accounts for more than 60 per cent of Japan's gross domestic product, were illustrated by a 38 per cent year-on-year decline in machine tool orders during August, and a 4.5 per cent decline in Tokyo department store sales. A flight from equities into bonds took the Nikkei 225 benchmark index to a 12-year low, down 2.4 per cent at 13,859. The yield of the 10-year 182nd benchmark bond closed at another record low from 0.755 per cent to 0.675 per cent.

An agreement on banking reform legislation would end weeks of anxiety and frustration about the Japanese government's dilatory response to the financial sector crisis. Dealing with the banks' problem loans is considered crucial to reviving the Japanese economy, and US officials in Tokyo emphasised the importance of acting swiftly on banking reform.

"We... urge that effective banking reform legislation be enacted on an immediate basis," said Charlene Barshefsky, US trade representative, in Tokyo yesterday.

Uncertainty about the outcome of the political debate and the fate of the troubled Long Term Credit Bank of Japan, which hinges on a political agreement, sent its share prices lower yesterday, down 73 at ¥22.

A deal came within reach after the LDP agreed to opposition demands that weak banks, such as LTCB, should be temporarily nationalised and a ¥13,000bn (\$96bn) public fund already established for the recapitalisation of weak banks be abolished. However, late last night the LDP was still holding on to an alternative scheme that would offer weak banks the option of

applying for an injection of public funds.

Opposition parties have refused to include such an option on the grounds that it would give the finance ministry discretion to determine which banks should receive public funds. "If we reach a political compromise that is ambiguous on this point, it will leave problems to be solved," Mr Kan said.

Another issue which remained to be resolved was the transfer of the finance ministry's power to decide financial sector policy to an independent body.

Editorial Comment, Page 13

Singapore finds its dependence on neighbours uncomfortable

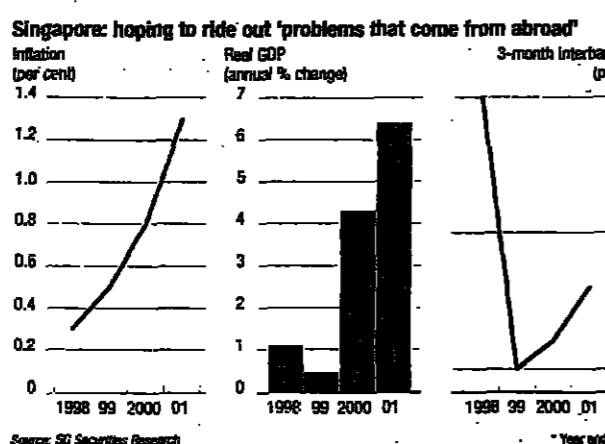
Sheila McNulty reports that Malaysian currency controls are hurting the city state

When the Singaporean contingent marched out for the opening parade of the Commonwealth Games in Malaysia last week, the crowd boomed. And when their athletes competed on the track, they were booed again.

As the east Asian financial crisis has deepened, Singapore's better managed economy has continued growing as rival Malaysia's swiftly moved into recession. Malaysians have focused their anger on Singapore's superior financial centre for taking away trade in Malaysian currency and stocks.

But Singapore is home to just 3m people and has long depended on its neighbours for growth. To the south, Indonesians are confronting economic, political and social chaos, so Singapore has looked increasingly to Malaysia to maintain its momentum.

But with Kuala Lumpur's introduction this month of comprehensive currency controls restricting foreign operations in Malaysia (and ending the trade in Malay-



sian currency and stocks in Singapore), the city state is now being hit by all sides. The impact on Singapore's economy could be enormous. Singaporeans were already losing jobs as companies reported losses before the controls were imposed. Individuals were struggling to meet loan payments. And that cuts into potential growth for Singapore's economy. Mr Bhaskaran predicts growth of 1.1 per cent this year, down sharply from 7.8 per cent last year. And he expects the slowdown to worsen next year, with just 0.5 per cent growth.

Tan Sin Mui, head of Singapore research for Merrill Lynch, notes that Malaysia is Singapore's second largest

trading partner. She estimates Singapore's foreign direct investment in Malaysia at \$412bn (US\$7bn), nearly 10 per cent of gross domestic product. Malaysians are believed to be the biggest source of visitors to Singapore. Singapore's far more efficient port handles much of Malaysia's imports and exports. And analysts say Singapore banks have about 10 per cent of their total assets in, or exposed to, Malaysia.

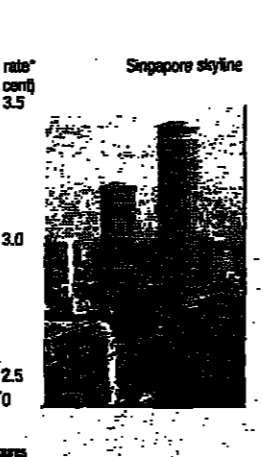
"Should the Malaysian economy stagnate or regress, this growth opportunity for Singapore banks, and its economy, is effectively shut," Ms Tan says. "What else is there left for Singapore, especially its banks, with the region in crisis?"

Singapore has, nevertheless, refused to undertake the interventionist methods of Malaysia to try propping up its deteriorating stock market and currency. Its attempts to ease the pain of Singaporeans have largely been confined to stimulus spending on infrastructure and attempts to make the property and port businesses more attractive.

It has also expended considerable effort liberalising its financial sector and eliminating inefficiencies. This has increased pressure on the sector now to widen the gap between potential regional competitors in the long run.

As the international financial community praises the city-state for such efforts, Singaporeans privately complain about the lack of direct intervention to ease their burdens. They say the dissatisfaction in this largely uncritical society, was most evident last month by the fewer flags flown by Singaporeans outside their windows on National Day.

It was the day Goh Chok Tong, the prime minister, tried to explain to his people that there was little Singapore could do. "Our problems come from abroad, so we cannot solve them by



changing domestic policies." External demand accounts for 70 per cent of total demand for Singapore's goods and services. Mr Goh projects growth of between 0.5-1.5 per cent this year, noting the economy already slowed dramatically to 1.5 per cent in the second quarter, from 6.1 per cent in the first. And Singapore's competitiveness has been affected: its currency has held its value better than those of neighbouring countries, making Singapore's wages, costs and goods comparatively more expensive.

He insisted the government was doing what it could: instituting a stimulus package that would push the budget into deficit; encouraging businesses to cut costs and increase productivity; and improving Singapore's financial centre, and other growth prospects, for once the crisis has passed.

"I do think it's good that they are not trying any short-term populist measures," said Kate O'Donoghue, regional economist at Barclays Capital. "The Singapore government, at the moment, is doing a careful job of managing expectations." With an economy so dependent on its increasingly hostile neighbours, there is little else they can prudently do.

contracts between Pertamina and businesses controlled by Mr Suharto's children. But some analysts doubt whether Mr Habibie would welcome a thorough review of the pilfering of Pertamina's assets over the past 32 years, as the spoils were far from limited to Mr Suharto's family.

Muladi, the justice minister, yesterday said for the first time that Mr Suharto could face jail if found guilty of abuse of power.

Malaysia's defence ministry said Singapore could seek permission to cross into its air-space on a case-by-case basis. Singapore's Defence Ministry said it had alternative arrangements to ensure operational effectiveness and its training would not be affected.

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Flight ban fuels regional tension

By Sheila McNulty in Singapore

Malaysia has banned Singapore military and search-and-rescue aircraft from its air space from today, escalating tensions that have intensified in tandem with the east Asian financial crisis.

The announcement came a day after Lee Kuan Yew, Singapore's senior minister, formally unveiled his memoirs, provoking outrage across the border with unfavourable references to Malaysians.

The rival neighbours attempted to work together when the crisis began, but Malaysians' anger grew as the ringgit weakened with the outflow of funds from Kuala Lumpur in search of higher rates offered to ringgit deposits in Singapore. They also were upset by reports of short-selling of Malaysian shares in Singapore while the practice was banned in Kuala Lumpur.

The sweeping currency controls Malaysia imposed at the start of this month end both practices and, by targeting Singapore's all-important financial centre, have raised the stakes in the battle between them.

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Jakarta acts to end oil and gas monopoly

By Sander Thoenes
in Balikpapan, Indonesia

Indonesia's government is expected to submit a draft law to parliament to end the monopoly of Pertamina, the state-owned oil and gas company, and open up a big market for oil products to foreign investors.

The draft law, prepared by energy minister Kuntoro Mangkusubroto, would also turn Pertamina into a real company rather than a semi-

ministry without ministerial responsibility by transferring production-sharing contracts with foreign oil producers from Pertamina to the government. Some subsidiaries would be privatised.

The draft law represents one of the more substantive economic reforms of the new government of President B.J. Habibie, who took office in May but has focused on political reforms and economic crisis management rather than structural

changes. Although the economic downturn and a regional glut in refineries capacity would discourage an early influx of investment into downstream oil industries, several leading oil companies have long promised to set up shop if and when they could sell their own products to Indonesia's 200m people.

Oil executives who saw the draft said it would mark a break with three decades of tight state control over

the oil and gas sector, the engine of Indonesia's development but also a feeding trough for corrupt officials. That is why some believe the draft law will face fierce opposition from Pertamina, government officials and the Suharto family which still dominates the oil industry. "It does all the right things," one oil executive said. "It makes as much sense as I can make of it."

It is unclear whether the draft submitted to parliament this month or next, and to be ratified by the end of the year, will be identical to the one written by Mr Kuntoro, but Mr Habibie has been keen to show he has broken with Suharto, his predecessor and long-time mentor.

Mr Habibie announced earlier this week that the attorney-general would start investigating the sources of Mr Suharto's wealth and has not objected to Mr Kuntoro cancelling several lucrative

contracts between Pertamina and businesses controlled by Mr Suharto's children. But some analysts doubt whether Mr Habibie would welcome a thorough review of the pilfering of Pertamina's assets over the past 32 years, as the spoils were far from limited to Mr Suharto's family.

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Opposition calls Burma parliament

By Ted Bardacke in Bangkok

Leaders of Burma's opposition National League for Democracy (NLD) have risked near-certain arrest by forming a parliament based on the results of the country's 1990 election, which was ignored by the military junta.

With most of the MPs elected in 1990 arrested, including 196 since late May, or sent into exile, the 10-member NLD committee said yesterday that it had received proxies from enough MPs to act on behalf of the entire parliament.

Oil executives who saw the draft said it would mark a break with three decades of tight state control over

The prospect of an alternative or parallel government in Burma, backed by the legitimacy of a landslide win in 1990, could prove vexing for the international community if there is a move to recognise the new body at the UN or other multilateral forums.

Burma's junta has said anyone who tries to form a parallel government or convene parliament is subject to immediate arrest and that the NLD will be declared illegal. There have been recent calls in the government-sanctioned press to deport NLD leader Aung San Suu Kyi for her political manoeuvres.

"I think things will come to a head now. They'll probably just detain everyone or put Suu Kyi back under house arrest," said a Rangoon-based businessman familiar with the thinking of the junta.

Drugs rumpus stirs up Australian campaign

By Russell Baker in Sydney

The Australian election campaign took a number of bizarre and embarrassing twists yesterday when John Howard, the prime minister, was seemingly accused of being responsible for the deaths of drug addicts, and the price of heroin was linked with the federal government's proposed goods and services tax (GST).

The ABC, the national broadcaster, incurred Mr Howard's wrath after radio presenter Verity James asked him if the price of heroin would fall under a GST.

Earlier in the day Senator Nick Bolhuis, the opposition Labor party's justice spokesman, had said that Mr Howard's cuts in funding to drug law enforcement and monitoring had led to young people taking fatal heroin overdoses.

In a media release headed "John Howard's Drug Legacy - 60 dead in Perth alone" Senator Bolhuis also claimed that the price of a cap of heroin during the government's time in office had dropped from A\$40 to as little as A\$5 (US\$3) - making it "cheaper than a packet of cigarettes".

ABC presenter Ms James misread some briefing material relating to Senator Bolhuis' statement and asked Mr Howard about the impact of the GST, saying there had been reports that heroin would be cheaper under his tax reforms. Mr Howard, who earlier in his radio interview had accused the ABC of biased and unbalanced election coverage, responded: "You raised something about heroin and

the GST. What are you getting at? The whole idea of suggesting that the GST is in some way tied up with heroin should not be left hanging in the air."

Ms James promised to clarify her question later in the interview, but it ended abruptly when the ABC went to its local morning news. Mr Howard later told reporters that "the suggestion that in some way the GST is linked to heroin is about the most bizarre thing

monwealth law enforcement." Senator Bolhuis said in his statement.

But talking to journalists later he said: "I don't accuse John Howard of being personally responsible for the deaths of people on our streets - I wouldn't do that."

Senator Bolhuis said: "What I do charge him with, what I find him guilty of, is a dereliction of duty in terms of meeting his responsibility to the Australian Federal Police and Customs and National Crime Authority."

Senator Bolhuis ended his press conference abruptly by taking refuge in the toilet of a restaurant. Mr Howard described Senator Bolhuis' comments as a "pretty cheap, tawdry guttersnipe attack".

During his interview with Ms James the prime minister said the Liberal-National party coalition had a very strong commitment to continue funding the ABC but in return the ABC had an obligation to be objective during election campaigns. "It doesn't always do so... the ABC's coverage of this election campaign has not been balanced," he said.

Meanwhile, Labor pledged an extra A\$100m for the ABC if it wins the October 3 election. About A\$12.5m would be directed to Radio Australia for the reopening of the Cox Peninsula transmission facility near Darwin and additional programming.

Senator Chris Schacht, Labor communications spokesman, said: "We want Radio Australia restored to what it was before these maniacs destroyed it 18 months ago."

HK sees jobless rate rise add to malaise

By Louise Lucas in Hong Kong

Unemployment in Hong Kong reached 5 per cent in the three months to August, matching the previous high in May 1983. Adding to the economic malaise in the territory, Hongkong Telecom announced salary cuts for all its 13,800 workforce.

The figures were released as the stock market, already down 35 per cent from the peak in August last year, slid further on the back of falls in Tokyo and jittery sentiment around the globe.

Share prices were boosted in August, when the government spent some US\$1.4bn buying up blue-chip stocks in a bid to eliminate speculators. The move helped bring some stability to the markets, but it also elicited much criticism - a further bout of which was doled out by Alan Greenspan, chairman of the US Federal Reserve.

Speaking at a special hearing of the House of Representatives' Banking Committee on Wednesday, Mr Greenspan said he doubted the move would be successful and would erode some of



Greenspan: erode credibility

the credibility built up by Hong Kong's de facto central bank.

"Once you begin to veer off and do things which do not make any sense I think you lose a bit of credibility. I hope that was an isolated episode and indeed I have every reason to believe it was," he said.

Donald Tsang, Hong Kong's financial secretary, said he would write to Mr Greenspan to explain the rationale behind the intervention. "We do understand that from an idealistic position of a free market, what we did is probably rather exceptional," he said.

Yesterday Mr Tsang's share purchases looked smaller as well as exceptional. HSBC Holdings, the global banking group in which the government now has an 8.8 per cent stake, tumbled HK\$6.50 to HK\$141.50, its lowest level in two years.

Shares in HSBC, which comprises almost one third of Hong Kong's Hang Seng Index, have been heavily sold amid concerns about rising debts as the financial crisis continues to claim victims in Asia and, latterly, Latin America, where HSBC also has exposure.

In Hong Kong, HSBC's traditional base, the outlook remains bleak. The growing number of unemployed - which analysts forecast to hit 7 per cent by the year end - will also haunt banks as home owners are no longer able to make mortgage repayments.

Traditionally, mortgage defaults in Hong Kong have been tiny, but this is expected to change as employees from construction workers and shop assistants to bankers and top management, lose their jobs.

Dong Tao, senior economist at CSFB, reckons that this year's climbing unemployment will be followed next year with a round of pay cuts like those announced by Hongkong Telecom. He estimates these will be around 10 to 15 per cent across the board, with employees in the worst-hit sectors of finance, trade and retail seeing a cut of up to 40 per cent in their salaries.

"We are getting to the other side of the hill (from rapid economic growth and continuously rising wages). Because Hong Kong salaries have increased so sharply it becomes somehow unjustified to support economic growth at a sustainable level," he said.

Hongkong Telecom pay cuts, Page 16

US bank's entry offsets jobs gloom

By Brian Groom in London and Andrew Parker in Cardiff

Banc One Corporation, the US bank, yesterday announced plans to begin marketing credit cards in the UK by the end of the year, and create 1,000 jobs in Cardiff, the chief city of Wales.

The bank will trade in Britain under the name Banc One International, and is to market Visa and MasterCard credit cards. The cards will be issued by First National Bank of Chicago, which is to merge with Banc One in October. The capital investment is thought to be worth \$20m (\$32.5m).

Patrick Blewett, president of Banc One International, said Cardiff offered the best combination of high quality workforce, quality of life and infrastructure for Wales in the UK government, said: "Wales is becoming a leading player in the financial services industry." The government has given regional selective assistance, and South Glamorgan training and enterprise council will provide training.

The Banc One announcement came on the day that Vickers, the defence group, deepened gloom in northern England by saying it would cut 1,136 jobs and close its Leeds tank factory. The UK labour market, however, may be approaching a turning point, even though the number of people claiming unemployment benefit has fallen to an 18-year low. Business Strategies, the economic forecaster, said the jobs total could grow by 250,000 by mid-2000 - "a slowdown, not a recession".

Ministers are braced for the possibility that up to 600,000 jobs could go. Companies have also been making clear during the autumn financial reporting season that they expect tougher trading conditions in the months ahead. Trinity Holdings, the regional newspaper publisher, and John Lewis Partnership, the stores group, were the latest to make such statements yesterday. Evidence of how unbalanced the UK economy has become is seen in the fact that even amid redundancies, skill shortages persist in sectors such as information technology, hotels and catering, and the health service.

Wales may get more good news next week. Government officials are confident the International Rectifier, a US power transistor manufacturer, will announce plans to create up to 500 jobs in Swansea. The company said it was close to agreeing terms. Wales's joy brought little comfort to northern England, which was rejected by Banc One, along with Dublin and other European sites, for its investment. Vickers yesterday announced it was closing its Leeds plant and transferring production of the Challenger 2 battle tank to Newcastle upon Tyne. Vickers blamed the closure on a slowdown of work on the Challenger 2 as the British Army's order for 386 tanks comes to an end.

NEWS DIGEST

EUROPEAN SOCCER SUPER LEAGUE

Clubs to be told likely revenues 'overestimated'

The UK's Premier League soccer clubs will be told by a firm of independent sports media consultants today that the Italian marketing company behind the proposed break-away European super league has overestimated the competition's likely revenues by almost 100 per cent. A report from Oliver & Ohlbaum will suggest that the super league is likely to generate just over £850m (\$1.07bn) a year in television and sponsorship revenue, and not the £1.2bn promised by Media Partners, the Milan-based firm behind the breakaway competition.

When Media Partners presented its super league plan to all 20 Premier League clubs for the first time two weeks ago, many of the club chairmen present were said to have found the revenue estimates provided by the firm "unconvincing".

Oliver & Ohlbaum's estimate of super league revenues is well below the figure predicted by Media Partners because the consultancy believes the Italian firm is over-optimistic about how quickly pay-per-view TV will become established throughout Europe and about the likely revenues from pay-TV. Patrick Harverson, London

AIRLINE CHIEF'S \$16M SCHEME

Chain of cybercafés proposed

Stelios Haji-Ioannou, chairman of EasyJet, the low-cost airline, plans to launch a chain of 24-hour cybercafés in London. He intends to sell quality coffee, modelled on the US Starbucks chain, alongside the screens.

The Greek shipping magnate's son who revels in challenging the dominance of the big airlines, said he aimed to open the first of at least 20 cafés in the UK capital within six months to a year. He said he was prepared to invest up to £10m (\$16.5m) of his family's wealth in the venture, registered as EasyCafé, and expected it to become profitable in about three years. Industry insiders said Mr Haji-Ioannou may be too late with the idea. Roy Bliss, managing director of Demon Internet, the service provider, said internet cafés were a thing of the past and other services - such as internet access for business travellers - would be more fruitful. Alison Maitland, London

EDUCATION

Minister attacks 'elite' exam

A government minister yesterday unleashed an assault on the traditional A-level examination as a university entrance qualification, dismissing it as "wrong", elitist and designed "for a world which no longer exists". In a speech to university vice chancellors, Baroness Blackstone, the higher education minister, said the "gold standard" qualification was too narrowly specialised and had become a stumbling block to the government's drive to widen access to higher education. She called on universities to reform their admissions policies, warning that they could be missing "potentially brilliant" students by laying down long established and inflexible entry requirements. Baroness Blackstone, former master of Birkbeck College, London University, said the traditional post-16 curriculum was designed for a "world in which higher education was the preserve of a highly specialised elite". But with a third of young people going to university, and with employers demanding students with a "far wider range of skills than those of 10 years ago, never mind 40", she said the A-level qualification must change. Simon Targett, London

SO YOUR ABYSMAL SHOWING WAS A SUBTLE PROTEST AGAINST ELITISM?

VENTURER OF THE YEAR AWARD

Award for roof entrepreneur

John Lancaster, founder of conservatory roofing company Ultraframe, was yesterday declared overall winner of the Venturer of the Year award, sponsored by the jewellers Cartier, the Financial Times and the British Venture Capital Association. Ultraframe, started in 1983, attracted £4m (\$6.6m) from venture capital group 3i in 1995 and reached the stock market last October with a market capitalisation of £136m. The award recognises contribution to employment and the economy in general, innovation, soundness of financial performance, return to venture capital backers and overall consistency. The scientific research based company award is shared by Dermott Simpson, executive chairman of Belfast-based ECO Technologies, and its founder Scott Blackstone. Neil Heywood, managing director of Quadstone, a Scottish software company, won the small start-up category. The large start-up winner was David Proctor of Xpedite Systems, a fax and e-mail distribution service. Katharine Campbell, London

TRADES UNION CONGRESS VIEWS ON BENEFITS OF EU SOCIAL CHAPTER COINCIDE

Union power to be limited and 'modern'

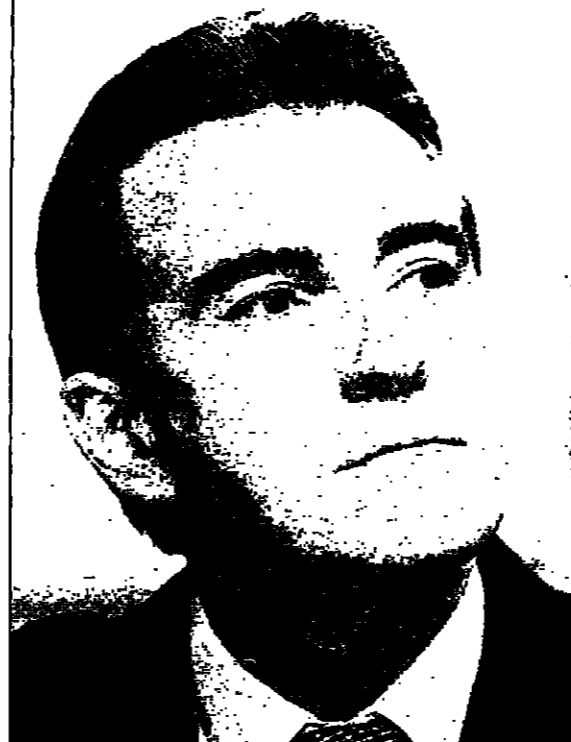
By Robert Taylor in Blackpool

Speaking at the annual Trades Union Congress, John Monks, the organisation's modernising general secretary, described the TUC's relationship with the Labour government as based on "growing-up politics", that is, "not always smooth, but based on trust and mutual respect".

Minister gives tough warning over need to back government reforms

Peter Mandelson, chief minister for trade and industry, warned trade unions yesterday of pressures to weaken the package of workers' rights proposed in the government's Fairness at Work policy paper, David Wignight writes.

Mr Mandelson promised the Trades Union Congress that he would argue for them and work for legislation that was "seen by all as fair and balanced". But they were "controversial changes" for which a case still had to be made, particularly in view of the growing pressures on British businesses. The comments by Mr Mandelson, (right, on the conference platform) will fuel union fears that elements of the paper could be diluted in the face of strong criticism from business. The Confederation of British Industry, the UK's employers' organisation, has expressed alarm at some measures, including removal of the cap on compensation for unfair dismissal.



Picture: Reuters

Mr Mandelson's somewhat ambiguous comments reflected the general tone of his speech to the TUC conference, in which he professed himself a strong believer in trade unions but was uncompromising in his calls for further modernisation. He warned the unions that they would have to co-operate with the Labour government's reform programme if they wanted to retain a voice in government decision-making. "The choice is yours - opposition or legitimate influence," he said.

Many union officials remain sceptical but they are unlikely to divert Mr Monks from his grand design of using the TUC to help turn the UK into a social market economy like its European counterparts. Retail spending during August showed "surprising" growth in spite of earlier surveys suggesting a decline in consumer sales, Our Economics Staff write. The Office for National Statistics said retail sales volumes grew by 0.4 per cent last month, stronger than many City forecasters had expected after earlier gloomy sur-

Accounting regulator may form model for professions

By Jim Kelly, Accountancy Correspondent

The government yesterday proposed a single new self-regulatory regime for 200,000 accountants and signalled that it could become the blueprint for a regulator covering many professions.

The announcement from Peter Mandelson, chief trade and industry minister, meets one of the governing Labour party's election promises to improve regulation after widespread criticism of existing controls as "chaps regulating chaps". The proposals are based on an outline put forward by the UK accountancy profession's six bodies, based on successful US practices. But the government has added extra safeguards to protect the public interest and clients. "The proposals I am announcing today will ensure transparent and robustly independent regulation to be delivered in partnership with the profession," said Mr Mandelson.

The government is to monitor closely the progress of the scheme, the first non-statutory regulatory regime put forward by Labour. It will consider expanding the scheme to include other professions. "Frankly this is good for the future - it demonstrates that the government believes a profession can think responsibly for itself about the public interest," said Chris Swinson, president of the Institute of Chartered Accountants in England and Wales.

Mr Mandelson also published a long-awaited draft law which offers all regulated professionals the chance to form limited liability partnerships (LLPs) so they can protect their personal assets from litigation. The new LLPs - which are likely to include several of the UK's Big Five accountancy firms - will have to publish annual accounts in the style of listed companies and follow similar rules to companies when compensating creditors if they become insolvent.

The move follows threats from some of the Big Five accountancy firms that they would register offshore as LLPs under new legislation now available in the US, the Isle of Man - between England and Ireland - and Jersey, the largest of the Channel Islands between England and France.

Lloyd's unit to cut jobs by 30%

By Jim Kelly in London

The Lloyd's of London insurance market is to cut 300 of the 1,000 jobs at its insurance services business unit and reduce costs by \$10m (\$16.5m) a year, Ron Sandler, chief executive, announced yesterday. The measures follow a review by PwC, the professional services group, which worked with senior members of the Corporation of Lloyd's.

'Fallout' plan urged for euro risk

By George Graham, Banking Editor

Leading investment banks and securities clearing houses have asked for central banks and regulators to set out contingency plans for dealing with the fallout if a big bank or financial institution fails to convert all its systems to the euro at the end of this year.

In a letter to John Mogg, director general of financial services at the European Commission, the securities industry group has asked for each central bank to publish its plans for taking swift action in the event of a substantial failure, as well as a list of contact names and numbers over the conversion weekend.

"Our concern arises as a result of the very real possibility that major firms or institutions may not be able to complete all required conversion work in the limited time available," said the Securities Industry Ecu group. They have asked the European Commission and the European Central Bank to make clear who is responsible for handling any big problems that arise in this short period.

clearing houses Euroclear and Cedel. The Bank of England, the UK central bank, said yesterday in the latest edition of its quarterly publication on practical issues relating to the euro that it would be important for central banks and regulators to communicate quickly with each other over the conversion weekend, and it would be sensible to establish a contact list. John Townsend, deputy director for market operations at the Bank, who will take over as director for Europe next year, thought it was "highly unlikely" that something would go so badly wrong as to prevent the start of trading in euros on January 4.

However, he said, "we cannot completely rule out the possibility of a large player getting into difficulties in its conversion processes." The Bank's survey of 36 financial institutions found that all remained confident that they would be able to manage the euro conversion process successfully. Some banks said they planned to scale back trading activity at the end of the year to reduce their settlement workload, but it is not yet clear what effect this might have on overall trading volumes.

The Bank urged financial institutions to send standard settlement instructions detailing where they wanted to receive euro payments to their trading partners by September 30. Few banks have yet done so, raising the possibility of confusion and delays in payments reaching their destination.

UK institution carries its royal cachet to US quality assessment market

The world's oldest standard-making body balances tradition with new strategy to attain global status, says Andrew Baxter

Keith Tozzi, chief executive of the British Standards Institution, has moved fast since accepting the job 20 months ago to push through a new business strategy aimed at putting the organisation on a par with its global competitors. BSI, which has been expanding in the US this year, was founded in 1901 and is the world's oldest standard-making body.



Keith Tozzi: China and Japan are "real potential growth prospects"

And they do not have a Royal Charter, either, which, Mr Tozzi admits, has a cachet that creates a competitive advantage. It costs about £25m (\$41m) a year to keep the standards-writing process going, says Mr Tozzi, and the service "just about washes its face", helped by a £3m grant from the UK government and revenue from the sale of standards. But the DTI grant will continue to fall, obliging BSI to broaden its commercial activities so it can safeguard the standards-making side.

Mr Tozzi, a 49-year-old civil engineer, has the difficult job of maintaining BSI's traditional standards-making side, which covers a wide range of products and processes, without using it to gain an unfair advantage on its commercial activities. These range from assessing companies' quality and environmental management systems to product testing, product certification via the BSI Kitemark and the European CE Mark, and training. BSI's competitors in these sectors lack this dual role.

BSI has already achieved one of these aims - a better global network. In April, it announced the £36.5m takeover of Inspectorate, a UK-based inspection and testing company with 170 locations in 90 countries and a well-known name in the petrochemicals, metals and minerals markets. The next target is the US, where demand for services such as the ISO9000 quality management assessment is growing at 40 per cent a

strengthen its position in the US and Far East: and to expand the UK testing business. BSI has already achieved one of these aims - a better global network. In April, it announced the £36.5m takeover of Inspectorate, a UK-based inspection and testing company with 170 locations in 90 countries and a well-known name in the petrochemicals, metals and minerals markets. The next target is the US, where demand for services such as the ISO9000 quality management assessment is growing at 40 per cent a

year. Industrial customers rarely switch their quality assessment suppliers, however, so Mr Tozzi says: "You have to be in there growing at the same rate as the market, otherwise it would take you 20 years to win back business from the competition."

Quietly, BSI has expanded in north America this summer, moving to bigger headquarters in Virginia and acquiring the Center for Energy and Environmental Management (CEEM), which provides management system training. Further US investments will be made, says Mr Tozzi.

Elsewhere, Mr Tozzi hopes BSI can expand quickly by making acquisitions in the UK testing market. China and Japan are "real potential growth prospects", he says, and that is irrespective of the current Asian economic crisis - because the need for quality assessment is export-driven. None of this has been possible without a change earlier this year to the Royal Charter, enabling the organisation to borrow money and make acquisitions. Further acquisitions are likely - as organic growth alone would not achieve strategic targets fast enough, Mr Tozzi says. Having roughly doubled the organisation's size during the past year, Mr Tozzi says the goal is to get on level terms with the competition - organisations such as BSIQ of France and Switzerland's Société Générale de Surveillance - during the next 12-18 months. But, he says, the board will have to decide within the next six months how to fund the growth long-term. He is confident that, with the right organisational structure, BSI will not get an unfair advantage from its standards-making side. "We've agreed... to ring-fence it completely," he says. "We can inject money into it, but there is no route out for surplus funds into the commercial side." Besides, he says, as most of BSI's new standards are written for European Union or international use, "it is a fallacy to think we are writing them for ourselves."

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HK Sec jobless rate rise add to malaise

table Flight ban fuels regional tension



ous stirs up campaign

MANAGEMENT

MARKETING RETAILING ON THE WEB

A grab for impulse shoppers

How do you get online shoppers to buy what they didn't know they needed? asks Alison Smith

Begin a search on the internet for any subject - from aardvarks to Zwingli, a 16th-century religious reformer - and you are quite likely to see an onscreen advertisement from Amazon.com. The ad means you are only one move away from browsing through the books the online store carries on your chosen topic.

Amazon reached the agreement to show these ads with five of the six most used web aggregators or portals, including Alta Vista and Yahoo!, slightly more than a year ago. The almost seamless shift from searching to buying is one of the most striking examples of how the internet can be used to draw people into making impulse purchases.

"You can go from an information-seeking experience to a shopping experience with one click," says Brian Cauley, president of APL Digital, part of advertising network Ammirati Puris Lintas.

Encouraging people to buy items they had not intended to buy is an art that high street retailers have honed during many years.

Eye-catching displays, juxtaposition of complementary items, and tempting shows of treats such as chocolates and magazines near supermarket checkouts are common practice in conventional stores. Online retailers, however, are only just beginning to think of ways of stimulating unplanned demand.

"If I go round a supermarket, my trolley includes

special offers, but if I do my shopping on the web I stick pretty much to the same list of items," says Keith Wills, European retail analyst at Goldman Sachs.

"One of the dangers for retailers is that people end up with a utilitarian set of purchases online, and visit a real-world supermarket for fresh and added value products."

"If the online shopping basket goes back to basics then retailers lose margin gains."

Ease of purchase is perhaps the most important way for both internet and conventional stores to encourage impulse buying, says Mr Wills.

"After buying a football shirt, does the customer have to scroll through a dozen screens to get the matching shorts and socks? What about quick access to the checkout? Just as in a store, the customer will not want to search through countless options but rather be guided to a handful of products that suit their taste and budget."

Online purchasing clearly has its drawbacks: shopping on the screen cannot replicate the sight, smell and feel

of being surrounded by potential purchases. Grocery shopping may also be affected by the absence of peer power: there may not, for instance, be any children around trying to influence your choice.

The sense of having performed a chore that deserves a treat will be less marked



when shopping is more convenient. "The web is never going to be able to satisfy the urge for that kind of immediate, low-price indulgence," says Mr Cauley.

But in other respects, online retailing may be better suited to encouraging unplanned buying than high

an aisle of Christmas purchases or Easter eggs and related goods, you can use events to stimulate buying."

It is also possible to address consumers online in a more sophisticated way. David Risher, Amazon's senior vice-president of marketing product development, says the company is still refining the linkages that can be made. For example, someone buying a book for a baby can be informed about CDs of lullabies.

Being able to build up a detailed picture of each customer means that online retailers can accurately target their offers. "Instead of a kid tugging your sleeve to buy ice cream or breakfast cereal, the website can tug your sleeve and say: 'Are you sure you don't want one of these? You usually buy them,'" says Mr Salama.

"The internet retailer can track you over a longer

period of time and come back to you with an offer targeted at your known preferences at some later date," says Mr Wills. "The high street retailer can't come back to you in the same way."

At present, however, many retailing websites may be failing to capitalise on their potential advantages, producing a functional environment rather than an enjoyable experience. But this seems likely to change as technology improves and the size of the market grows.

"It is early days at the moment, but the internet allows you to adapt what you're doing in response to your audience," says Mark Wilson, of marketing consultancy Bamber Forsyth.

"Provided retailers are listening to their customers, they can learn and change their sites in just a few months."

MY SECRET WEAPON STELOS HAJI-IOANNOU

No frills and lots of feedback

Stelos Haji-Ioannou is chairman of EasyJet, the low-cost, no-frills airline he launched in 1995 with financial help from his Greek shipping tycoon father. Aged 31, he is no stranger to court battles, most notably with British Airways over Go, its new cheap-fare service. After studying at the London School of Economics and City University Business School, he joined his father's company, then set up his own shipping line, Seaborn Shipping, in 1992. He caught the airline bug after meeting Richard Branson, the Virgin founder, and modelled his company on Southwest Airlines of the US. He shuttles between EasyJet headquarters at Luton airport near London, his residence in Monaco and his birthplace of Athens.

Keeping in touch with the customer is crucial. Three or four times a week religiously I try EasyJet just to talk to people. I always introduce myself during the flight. I never sit in the cockpit or in the front row and drink champagne, which is available but costs £8 (£13.20).

It's probably the high point in owning an airline. People are quite appreciative. They actually thank me for making travel affordable. I've received a number of letters saying: 'You've saved my love life, you made it more affordable for me to go and see my other half.'

It's a bit of an ego-boosting exercise but it confirms the concept works. It's the genuine customer research. If I am on a delayed flight, and unfortunately it does happen, I'm there taking all the flak. I'm there for the good times as well as the bad times. The important thing is you get feedback. I've yet to meet a person who says: 'What a pity there isn't a meal on this flight.'

I see it also as a great marketing exercise. People feel safer if I'm on board. They believe that someone cares about their problems. It's not a faceless company that will let them down. If all else fails, they can always call the owner.

I'm not sure I'm a natural showman. Deep down I'm a private person, perhaps a bit shy. You learn how not to be shy. I've developed a routine. I have half a dozen small-talk subjects and I've perfected the dialogue. I felt very nervous the first day I did it, the day I started the airline, on board the flight to Glasgow. Now for me it is the most useful and pleasant way of spending a flight.

I lead by example. People will do things if they see their boss doing exactly the same. If people see the boss talking to customers... they can't duck out.

The best way to keep a team motivated is to convince them they're always under attack, always on a warpath. Having an external enemy is the best way of focusing their minds on results rather than fighting each other, or becoming complacent. Our war meetings are done standing up - there's no better way of signifying urgency, for example when British Airways launched a route to Edinburgh. It's a great way of quickly

exchanging information. I'm a great believer in openness. I'm keen that every piece of information is available to everybody in the company. There are no secrets in the company. Every time I'm engaged in salary negotiations I realise that the individual is aware of everybody else's salary. There's more to be gained by sometimes having too much available rather than trying to restrict what's available.

We are a young company employing a lot of young people and most of them feel more comfortable in casual dress. The only people who should wear a tie because it looks better are the pilots. Although we're very innovative in certain things, we consider certain things as being sacrosanct.

A lot of my thinking is reactionary - I know how not to do things. My desire to run paperless offices comes from frustration when I was running my father's company when everybody was holding on to information as a way of holding on to jobs. There were seven floors and a floor manager for every floor who was the king of that floor.

A lot of the informality, the ideas, I got from Branson. I'm always with the underdog. I'm an underdog in the airline industry. The fact that I make air travel affordable to more people is one of the things that gives me pleasure. Business executives who travel British Airways Club Class don't need my help. But opening it up to other people, you feel what you do is more worthwhile. I don't think I'll ever start a luxury brand. Providing value for money for the masses is where I'll continue to expand in the future.

Alison Maitland



Mr Haji-Ioannou war meetings

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LEGAL NOTICES

No. 004863 of 1998

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

IN THE MATTER OF TSB LIFE LIMITED

IN THE MATTER OF TSB PENSIONS LIMITED

IN THE MATTER OF LLOYDS TSB LIFE ASSURANCE COMPANY LIMITED

IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on 26 August 1998 presented to Her Majesty's High Court of Justice in England by TSB Life Limited ("TSB Life") and TSB Pensions Limited ("TSB Pensions") for an order under Part 1 of Schedule 2C to the Insurance Companies Act 1982 ("the Act") sanctioning a scheme ("the Scheme") for the transfer to Lloyds TSB Life Assurance Company Limited ("Lloyds TSB Life") of the whole of the long term insurance business carried on by TSB Life and TSB Pensions in the United Kingdom and making provision for related matters in accordance with paragraph 5 of the said Part 1.

Copies of the Petition and of a report on the terms of the Scheme by an independent actuary, as required by paragraph 2(1) of the said Part 1, may be inspected at each of the offices specified in the Schedule hereto during usual business hours for a period of at least 21 days beginning with the date of the first publication of this notice.

The Petition is directed to be heard before a Judge at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday, 30 November 1998 and any person, including an employee of TSB Life, TSB Pensions or Lloyds TSB Life, who alleges that he would be adversely affected by the carrying out of the Scheme may appear at the hearing in person or by Counsel or solicitor advocate. Any person who intends so to appear, and any shareholder of TSB Life, TSB Pensions or Lloyds TSB Life who dissents from the Scheme but does not intend so to appear, should give notice in writing of such dissent or dissent, and the reasons therefor, to the solicitors named below not less than two clear days prior to the hearing.

Copies of the documents specified above will be supplied by such solicitors to any person requiring them before the making of an order sanctioning the Scheme on payment of the appropriate charge.

18 September 1998
Solicitors for TSB Life, TSB Pensions and Lloyds TSB Life

No. 004863 of 1998

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18 September 1998
Solicitors for TSB Life, TSB Pensions and Lloyds TSB Life

The Schedule

| | |
|---|-----------------------------------|
| TSB Life Limited and TSB Pensions Limited | Ireland |
| Chancery Place | Anglo Irish |
| London EC2M 4LL | PricewaterhouseCoopers Haysman/IF |
| London EC2M 4LL | Hofmann/IF |
| London EC2M 4LL | 13 Newlands |
| Lloyds TSB Life Assurance Company Limited | Republic of Ireland |
| 71 Lombard Street | Clair Kelly |
| London EC3P 3BS | PricewaterhouseCoopers |
| | Ordner House |
| | White Place |
| | Dublin 2 |
| | Italy |
| Austria | Adriano Carraz |
| Prinzhofen/Rudolf | PricewaterhouseCoopers |
| GRT PricewaterhouseCoopers | Corso Europa, 2 |
| Winkelmarkt 20 | 20122 Milan |
| A-1040 Vienna | Luxembourg |
| Belgium | Reno Sibrel |
| Raf Vander Stichele | PricewaterhouseCoopers |
| PricewaterhouseCoopers | Pilgrimage 20 |
| Winkelmarkt 20 | 9490 Vervaeke |
| B-1932 Sint-Stevens-Woluwe | Brussels |
| Brussels | London |
| Danmark | Isa Whitcomb |
| Lars Holting | PricewaterhouseCoopers |
| PricewaterhouseCoopers | 24-26 Avenue de la Liberté |
| Tybjerg Boulevard 1 | L-1930 Luxembourg |
| DK-2000 Haldenslyst | Netherlands |
| Finland | Frit Gertsen |
| Helsinki | PricewaterhouseCoopers Nederland |
| PricewaterhouseCoopers | Laan Vanhoof 7 |
| Venustienenn 2 | 2514 EA The Hague |
| FIN-00210 Helsinki | Norway |
| France | Ole Havnir Lohnd |
| Grand Danbury | PricewaterhouseCoopers |
| BEPEP-PricewaterhouseCoopers | Hofberg 21 |
| Tour AIG | 0166 Oslo |
| 31 place des Capucines | Portugal |
| 92000 Paris-La Defense 2 | Ricardo Pinheiro |
| Germany | PricewaterhouseCoopers |
| Werns Hill | Avenida da Liberdade, 245-7 |
| PricewaterhouseCoopers | 1250 Lisbon |
| Amalienstrasse 23 | Spain |
| D-80333 Munich | Antonio Delgado |
| Gibraltar | PricewaterhouseCoopers |
| San August | Edificio Colsa de Madrid |
| PricewaterhouseCoopers | Antegarda Diagonal |
| JCC Building | 440-75 viales |
| Campana Square | 08017 Barcelona |
| Greece | Sweden |
| Richard Coudry | Ulla-Brita Nordlin |
| PricewaterhouseCoopers | PricewaterhouseCoopers |
| Europa Plaza, 9th Floor | SE-111 28 Stockholm |
| 310 St Vasilev (Thessalon) Avenue | |
| GR-175 75 Kallithea | |
| Athens | |

Discussion

COMMENT & ANALYSIS



PHILIP STEPHENS

Come back Truman

The world needs more than interest rate cuts. The US, Europe and Japan must set their economic policies in a global context

We must pretend to be impressed. With all due solemnity the finance ministers and central bankers of the seven most powerful industrial nations have agreed to cut interest rates. A little late, you might say. But let's not cavil. These great men are paid to be cautious. And if things get any worse, though only then, words will be matched with deeds. Interest rates could be slashed by at least a quarter of one percentage point.

I take no pleasure in sounding a touch cynical. Glance around the world at the conflagrations in Russia and Asia and at the smouldering bushfires in Latin America and the temptation rather is to weep. Yet we cannot ignore the dismal hollowness which echoes through the west's response to an economic crisis that could yet return us to the 1930s.

We are not, it should be said, facing the collapse of global capitalism. Those on the political left who now proclaim that we are at the beginning of history are about as prescient as those who not so long ago pronounced there were no more pages to be turned. Save perhaps in Yevgeny Primakov's Russia, the command economy still lies beneath the rubble of the Berlin Wall.

The indiscriminate march of market liberalism, though, has been checked, and rightly so. The decade after the fall of communism has seen the US remake the world economy in its own image. The process seemed effortless. Free markets delivered faster growth. But the Asian standard-bearers of this new financial liberalism are now facing falls of five, 10 and

more per cent in their national incomes during a single year. We are reminded (and only liberal fundamentalists ever thought otherwise) that efficient markets need effective rules.

Thus there are welcome signs that western policymakers are beginning to rethink some of the more risible orthodoxies of recent times. It seems self-evident now (it should always have been so) that there is more to economic management than shrinking budgets, deficits and an explosion in world credit built on ever more flimsy financial derivatives. The implosion of the Japanese economy tells us that Keynes still has something to say.

There have been some hints from Washington this week (though I admit they are hard to find in the self-justificatory complacency of Michel Caudeaux) that even the International Monetary Fund has lifted its head an inch or so above the sand. The lesson is that markets

cannot be oblivious to culture, politics and geography. The torrent of money that flowed into Asia's so-called Tigers was proclaimed a triumph of liberalism. In truth it rested on a mutual confidence trick perpetrated by crony capitalists and reckless bankers. However much it offends the IMF's fundamentalists, some constraint on speculative financial flows is probably vital to solve the present crisis. As the American economist Paul Krugman has argued, for economies mired in slump the undoubted costs of exchange controls are a price worth paying.

Perhaps I am too optimistic here, but common sense may also be gradually elbowing aside dogma in a dawning realisation that one-size-fits-all adjustment is socially destructive and politically destabilising. At last the Group of Seven is talking about softening the social impact of IMF austerity programmes. Better late... as they say.



If the Bretton Woods institutions want to rebuild some credibility, they must put reality alongside theory. The obstacles facing the politicians cannot be separated from the aspirations of the economists. We can all lament the failure, say, of successive Russian governments to collect enough taxes. But I am not sure what the west gains from punishing the mistake. What price, I wonder, will we pay if a Russia returned to nationalism flexes its nuclear might?

More immediately, of course, hopes that the present recession in 40 per cent of the world does not become the precursor to slump elsewhere rest mainly with Alan Greenspan. IMF-backed support operations in Brazil and elsewhere may help. But it is for Mr Greenspan to preserve the fragile confidence of international markets by cutting US rates. Let's hope the Fed chairman displays some familiar wisdom.

We are talking here, though, about firefighting, about palliatives not cures. Vital, sure enough, but offering an answer perhaps for the next three months not for the next three, let alone 10 or 20 years. What is missing, and most dangerously so, in the current panic of deliberation is a recognition by the most advanced economies that they sink or swim together. Warm words from the G7 scarcely cloak the fundamental disagreement about their respective responsibilities.

Thus Japan is blamed, and with good reason, for failing over more than five years to respond to the collapse of demand in its economy. It will be rescued only by a massive fiscal and monetary stimulus and by the nationalisation of its banks. But Japan's paralysed political class has thus far refused to listen.

To those on the outside looking in, this is kamikaze economics. But we should not kid ourselves that Japan is the only villain of the piece. There are two other sides to the triangle.

The arrogance with which Washington has asserted the hegemony of unfettered

markets has been matched by stubborn insularity in Europe. The euro was once meant to symbolise the continent's emergence as an economic superpower. Instead it has bred Maastricht myopia, an obsession with fiscal deficits and inflation. No place there for a role in the wider world.

Thus we have heard the Bundesbank's Hans Tietmeyer blithely declare that Europe has no cause to cut its interest rates. Anaemia has become a way of life in European economies. Yet Asia's fate hinges on the capacity and willingness of the US and Europe to buy its products.

Herein then, lies the greatest cause for pessimism. We might just muddle through now. But the precondition for a flourishing international economy (and, it should be said, a more secure world) is a mutual recognition between its largest players of their interdependence. Liberal capitalism needs an anchor of stability. That can be provided only by close policy co-ordination between the US, Europe and Japan. Bill Clinton and Tony Blair, we now hear, want a full summit of the G7 to chart the way ahead. But even as they speak, their treasuries caution against raising expectations. Never mind any threats to our security. The bean-counters are in charge. As for co-operation between them, the truth is that the world's most powerful nations are as far apart as they have ever been.

The world needs a new financial architecture. As Paul Volcker, the former Fed chairman, has remarked, it should be built on stability – the creation of reference zones, if you like – between the dollar, yen and euro. The value would lie not in the precise matrix of exchange rates, but in the underlying commitment it represented. Unless and until the most powerful nations frame their domestic policies in a global context we face a period of endemic instability. This is about politics as well as economics. A poorer world is a more dangerous one. But change requires imagination and leadership. Where is Harry Truman now?

LETTERS TO THE EDITOR

West should support interventionist policies of new team in Russia

From Mr Daniel J. Arbess.

Sir, It is as much an oversimplification to believe that the political resurgence of the Russian Communists should be equated to a return to totalitarianism as it was for the west to believe that it could save market reforms in Russia by providing macro-support for a fundamentally unreformed economy ("Soviet men", September 14).

Nobody believes in a return to the command economic model – perhaps not even the hardened super-minority of the Communist party. But the new regime will be more interventionist,

and that is exactly what is needed to move the transition to markets further.

Russia's public finances will be restored only when it breaks the barter economy and establishes a tax base of profitable enterprises. To get there, the country needs an industrial policy that forces the liquidation of insolvent businesses and attracts tax revenues back onshore from the profitable ones.

Today's moment of apparent political consensus creates the conditions for this to be done. If the Duma can be inspired to move on tax reform and bankruptcy legislation, and the govern-

ment uses its control over Gaspro to force it to stop conducting barter trade and cut off non-paying customers, a world of progress is possible.

Until there is evidence that the new team won't move in this direction, the west should suspend cynical ideological games over industrial policy and show a willingness to provide support to the Russian people.

Daniel J. Arbess, president, Taiga Capital Group, 888 7th Avenue, New York, NY 10019, US

EU pensions tax problems being tackled

From Ms Elisabetta Olivi.

Sir, I wish to congratulate the Financial Times on its excellent guide on "The future for European pensions" (September 11). However, I would like to comment on the assertion in Jane Martinson's article that Commissioner Mario Monti "has suffered the defeat of 36 directives involving changes to taxation".

Mr Monti did say in the interview that, when he joined the Commission in 1985, he was concerned that there were 18 taxation proposals blocked in the Council and that 30 more had been withdrawn shortly before. Precisely in order to

make progress in this area – especially difficult due to the requirement of unanimity among member states – the Commission adopted in 1996, on the initiative of Mr Monti, a new approach to tax co-ordination.

This approach has been endorsed by member states and has resulted in particular in the unanimous agreement at the council of finance ministers in December 1997 on a package of measures, proposed by the Commission, against harmful tax competition.

Among the measures is the code of conduct for business taxation, which is in the process of being

implemented through a Council group chaired by Ms Dawn Primarolo, the UK financial secretary to the Treasury.

Building on the constructive climate created by the new approach to tax co-ordination, Commissioner Monti started discussions with member states recently on how to tackle tax obstacles to a single market for supplementary pensions.

Elisabetta Olivi, spokeswoman for Mario Monti, European Commission, Rue de la Loi 200, B-1049 Brussels, Belgium

Resounding rebuke from a former president

From Mr James S. Lapham.

Sir, A re-reading of the letters of John Adams' love and devotion to his feminist wife, Abigail, give a resounding rebuke to all those defenders of President Bill Clinton who say "all great presidents had affairs". President John Adams wrote: "To maintain a republic

required virtue and simplicity among all order and degree of men." A great politician, he wrote, "is to make the character of his people, to extinguish among them the follies and vices that he sees, and to create in them the virtues and abilities which he sees wanting". The courage of Senator

Joseph I. Lieberman in speaking out against President Clinton is the only bright spot in this sordid tale of moral turpitude and political nihilism.

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We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (ext. 101) or e-mailed to letters@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages. Fax +44 171-873 5938. Letters should be typed and not hand written.

The Real challenge for Cardoso

Brazil's drastic efforts to ward off a currency crisis could lead to recession, say Geoff Dyer and Richard Lapper

Brazil seems to have survived yet another mauling on the financial markets, its currency bloodied but – so far, at least – unbowed. It is not the first time. Last month, Latin America's largest economy weathered the gales blowing from Russia and Asia by jacking up interest rates and promising big public spending cuts.

Although there was another sharp fall on the Brazilian stock market yesterday – share prices fell by 8 per cent in morning trading – it seems to be clinging on. Encouraged by rumours that the International Monetary Fund, urged on by the US government, is trying to put together a bail-out for Latin America, the Sao Paulo stock exchange has risen by 30 per cent since Friday, having plunged 56.5 per cent between the beginning of August to last Thursday. The flood of capital out of the country, which had averaged \$1.5bn a day last week, has been slowed to a relative trickle (\$352m on Tuesday). Even by their own standards, Brazilian markets have had a melodramatic few weeks.

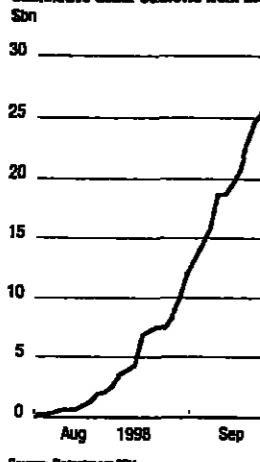
The questions are: how much longer can this go on? And at what cost? Even if Brazil has beaten back a run on its currency – and that is still a big if – it has almost certainly just bought time at the cost of a recession.

Perhaps that was inevitable. Brazil's problem is that its budget deficit, now running at 7 per cent of gross domestic product, is unsustainable and its current account deficit, 4 per cent of GDP, is too high. To finance the deficits while maintaining a stable exchange rate, interest rates have been kept up and growth restrained. High rates mean high interest payments, and a bigger budget deficit.

Before the current turmoil erupted, the government knew what it wanted to do to get out of this mess. After presidential elections on October 4 (assuming victory for President Fernando Henrique Cardoso), it planned to start chipping back the budget deficit to around 3 per cent of GDP within three

Foreign investors take flight

Cumulative dollar outflows from Brazil



Source: DataStream/FT

Brazil overnight interest rate



years by raising taxes, cutting spending and introducing tougher pensions reform. Privatisation would also help bring down debt. By convincing markets of the plan's credibility, the government hoped to be able to reduce interest rates and further ease fiscal pressure.

Economists believe a second part of the strategy would be to let the currency fall faster, encouraging export-led growth, and reducing the fiscal deficit further.

Instead, the crisis has plunged the country into a potentially vicious circle. To stem capital outflow, short-term interest rates

have been raised to nearly 50 per cent. This exacerbates the fiscal burden, the root of Brazil's credibility problem. Marcelo Carvalho, chief economist at J.P. Morgan in Sao Paulo, puts the additional cost of the interest rate rises at \$86bn (\$5bn) a month – 0.7 per cent of GDP.

As if that were not enough, Brazil's debt repayment timetable looks alarming. Its domestic debt has increased from \$41.7bn in January 1997 to \$43.05bn at the end of July, with an average maturity of seven months; more than 60 per cent is indexed to the overnight interest rate. \$35.2bn matures in October alone.



Uncertain outlook: President Fernando Henrique Cardoso's election defeat points upwards – but Brazilian markets are falling

These figures have prompted some observers to ask whether Brazil will be forced into a default. With one eye on Brazil and the other on trying not to be caught out by the next crisis, Moody's, the debt ratings agency, said on Monday: "The likelihood that countries in the Latin American region will resort to capital controls, debt rescheduling or debt moratoria... has increased significantly."

Most Brazilian bankers play down the idea of a default. They point out that more than 96 per cent of the debt is held by local banks or institutions that need to keep substantial parts of their assets in Reals and that there is enough liquidity in the banking sector to soak up debt. News of possible IMF assistance has also helped damp fears of default.

But even if a default before the elections is unlikely, Brazil is by no means out of trouble. With the interest burden rising and confidence damaged, its fiscal adjustment will need to be more impressive to avert another flight of capital. "In order to move from a bad equilibrium to a good equilibrium, you need to overshoot on the fiscal adjustment," says Paulo Leme, an economist at Goldman Sachs in New York.

However, turmoil in the markets – which is pushing up the risk premium on emerging-market debt – will make it harder for Brazil to finance its external deficit next year. Growth will have to slow in order to reduce the trade gap and some economists are already forecasting recession.

The risk is that Brazil will fall into the trap that Jeffrey Sachs, the Harvard economist, has identified in Asian countries – by introducing austerity measures to boost credibility, the economy plunges into deep recession, further eroding confidence.

The best Brazil can hope for is a controlled slowdown, while it tries to sort out its finances and restore credibility. The worst will be a self-defeating spiral of fiscal austerity and recession that prompts sustained capital flight and a prolonged crisis.

Divided loyalties

Scepticism towards a Welsh national assembly reflects deep political, geographic and economic divisions in the principality

Rhodri Morgan, who wants to be Prime Minister of Wales, began by addressing a few sentences to the meeting in Welsh. The audience in the hotel in the north Wales coastal town of Porth Madoc was a little discomfited; when, after his 20-minute speech (in English) they asked questions, most turned out to have English accents.

They were concerned about the fallout from last year's referendum, when the Welsh voted narrowly in favour of their own parliament. What would happen if there were a Labour-dominated Welsh Assembly (a racing certainty) and a Tory government in Westminster? Would the nationalist tide in Scotland sweep over Wales? "Could the assembly get rid of the national curriculum?" one woman asked. Mr Morgan was a little nonplussed. "I think so," he said. "I think it's the kind of thing that falls into the area of the assembly." "I hope that won't happen," said the woman, rather querulously. "Devolution is all very well, but education is for life. It all chips away at the solidarity of the UK."

Mr Morgan is the Labour MP for Cardiff West but the meeting was taking place in a stronghold of Plaid Cymru, the Welsh nationalist party. In this Welsh-speaking area, the political activists tend towards Plaid – leaving Labour with the English speakers. "Labour has a problem," says John Osmond, who runs a think-tank called the Institute of Welsh Affairs. "Its membership tends to be older and are often hostile to devolution." Its further problem is that Plaid, whose poll rating has grown from 10 to 20 per cent in the past year, is now – with the collapse of the Tories – second almost everywhere.

Mr Morgan's quest to become prime minister of Wales is rather a lonely one: he appears to be his campaign's organiser as well as its star, and he is fighting a heavyweight from his own party: Ron Davies, the Welsh Secretary, who has a Jaguar with a chauffeur and a campaign staff working from

Transport House, the Welsh Labour Party HQ in Cardiff. The vote by Labour party members to choose between the two men takes place tomorrow. There is not much difference between them: "They are both," says Wayne David, Member of the European Parliament for the Cardiff area, "in the Welsh Tribune (soft-left) consensus, which covers almost everyone." But the contest – the only one for the



John Lloyd on Britain



leadership of the three planned new parliaments of Northern Ireland, Scotland and Wales – has the merit of all such competitions: it allows those whose votes are being sought to articulate their concerns. And the largest worry by far is that devolution be measured, moderate and as un-nationalist as possible.

Welsh devolution is very different from that of Scotland. "We are about to create a new democracy in Wales," says Mr Davies. "In Scotland the institutions have been there for centuries – in the law, in the education system, in the Church. The parliament there comes on top of that. Here the parliament will be more crucial in creating institutions."

Where Scotland claims autonomy as a right, and where Northern Ireland sees in devolution a way of settling its internal quarrel, Wales has sent forth an uncertain note.

The worries of the Labour members of Porth Madoc are everywhere, and are a reflection of the thinness of Welshness as a set of institutions. The Welsh Office, the government's local executive body, was created only in the 1980s; Welsh wings of the Trades Union Congress and Confederation of British Industry came in the 1970s. North and mid-Wales are hard to reach from the south: the fast routes are east-west. Geographically, the three parts of the principality are closer to contiguous parts of England: the north to Merseyside, mid-Wales to the West Midlands, and the south to the Severn Valley and Bristol. Though the north-south division is the one most commented on, there is also, says Mr Osmond, an east-west fissure: the western side, more Welsh-speaking and poorer, the east more developed, more comfortable. In crude terms, the west voted yes to devolution last year, the east No.

As crudely, the younger you were, the more likely you were to vote Yes. "The generation formed by the war, and by the great national institutions like the health service and the nationalised industries created after the war, think in British national terms," says Mr Osmond. "For the under-40s, these are less potent. Many of the older Labour MPs here hate devolution and nationalism, because they were themselves formed by the same (post-war) process. Plus, the assembly will mean that they have an assembly member in their own constituency, competing with them to represent the people."

In spite of the marginal popular acceptance of devolution, the political tide runs strongly for it. Mr Davies, who is learning Welsh, is the first Secretary of State who seems to regard the job as an achievement rather than a stepping stone. The success of the Welsh Development Agency in attracting foreign investment has stimulated the call for stronger self-advertisement. John Smith, now the MP for the Vale of Glamorgan, was instrumental in bringing together agencies and companies to

form the "Branding Wales" group, to push a positive image. In opposition to the grimy, militant poverty portrayed in Richard Llewellyn's *How Green was my Valley*, the hugely successful post-war film, qualities such as lyricism, passion, hospitality and a strong work ethic, he believes, are waiting to be promoted.

In a world that lives by images, nations and regions wither if they do not have a good one. But having one increases the sense of difference – above all, from the English. Once the assembly is in place, with members who must respond to their voters, the pressure to boost Wales will be intense. Gerry Holtham, retiring director of the Institute of Public Policy Research and himself a Welshman, says: "If the assembly can foster a sense of pride and self-belief to accompany the traditional strengths of Welsh people, economic strength will develop. An appropriate policy response from an assembly 'minding the store', as no London government could, would then reinforce that economic strength."

But Wales, much more than Scotland or Ireland, also offers the English gain as well as pain. Precisely because of the half-hearted assent to a separate parliament, Wales could stand as a model to the much larger part of the UK that is doubtful to the point of indifference about regional assemblies. The MEP Wayne David, who has studied devolutionary processes elsewhere in Europe, thinks the trend will continue – and that "England might see in Wales an example to follow. Many of my colleagues from the north and the Midlands are strongly of the view that they are losing out. I think it will come there too, and will work as in Wales – the assemblies will create the structures."

However much the individual Welsh have made a mark in the world, it is not in Wales's collective nature to be a pioneer. That the leaders should talk so much about self-confidence is an indication of a fear that it may not be found. But the process is under way, and the stereotype may change.

FINANCIAL TIMES

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Bailing out Japan's banks

The political deadlock over the future of the Long Term Credit Bank of Japan saw Japan's top officials meeting into the early hours last night in an attempt to reach a decision before the weekend. But the approach they are taking is fundamentally flawed.

Although the ruling LDP party has been reluctantly edging toward the opposition's plans to nationalise the weakest banks, it has so far appeared as keen as ever to inject public funds to save them. But as well as being very expensive, this would leave the Japanese banking system as overcrowded and unprofitable as ever.

The opposition's proposals sound more sensible. They suggest that the weaker banks should be nationalised, then wound down, so removing excess capacity and giving the other banks breathing space to rebuild their balance sheets.

This could work, if Japan's banks could be neatly separated into the sound and the unsound. The problem is that Japan's politicians have dithered, the problems in the banking sector have worsened to a point where the entire banking system has been severely weakened. The rating agency Standard & Poor's earlier this week estimated that the banks' problem loans could total as much as ¥151,370bn (\$1,121bn) - 30 per cent of gross domestic product.

This is a vulnerable banking

system, the closure of the weakest banks could have devastating knock-on effects. The Japan premium would rocket, leaving many banks with very serious liquidity problems, and worsening the credit crunch. With the whole banking system in difficulties, a piecemeal approach could be very damaging.

One option would be to inject public money into those banks worth saving, at the same time as winding down those that are insolvent. The problem is that the bailout would have to be massive, and with the banks still privately owned, the benefit would accrue to the shareholders. This would amount to a huge transfer of funds from government to shareholders, which would surely be politically unjustifiable.

The unpleasant truth is that if the Japanese government really wants to rationalise its banking sector, while avoiding the risk of a total credit crunch, it has to carry out a widespread nationalisation programme, followed by closure of the worst banks, and recapitalisation and subsequent flotation of those that remain.

This would impose appropriate losses on shareholders, since the government would acquire ownership rights. It would also ensure that the banking system continued to function during the clean-up process. It would be a radical move, but it may be the only way for Japan to extricate itself from a desperate situation.

UK trade unions

As British union leaders met at their annual conference this week, they heard John Monks, general secretary of the TUC, herald the European corporatist model. It would provide, he argued, the "third way" the Labour government is seeking. Peter Mandelson, trade and industry secretary, politely said no thanks. Better not to get "too close for comfort", he said.

He is right. Britain's unions must carve out a new role: they should not be sitting at a tripartite table.

For the most part, Mr Monks has done a good job of persuading the TUC to leave yesterday's battles behind. He has preached a form of new unionism, in which unions seek to improve production and the workplace through "shared understanding of company performance". But his hoped-for "social partnership" will not materialise.

In theory, by putting the interests of the unemployed before those of employed insiders, corporatism can work. There is some evidence that this has happened in the Netherlands - although early retirement and disability benefits have been at least as important as tripartism. In Germany, however, the corporatist agenda has yielded levels of unemployment that should not be tolerated.

Such an approach, in any case, is at odds with Labour's economic philosophy. New Labour's

leaders hate the very thought. Mr Mandelson said the government was determined "not repeat the mistakes of the 1970s". That is an understatement: ministers are haunted by the memory.

A more realistic comparison for Mr Monks would be with his US rather than his European comrades. As in the US, the TUC is an important interest group which funds the left-of-centre party. This buys political influence. And American unions offer their dwindling number of members a wider range of services, such as employee ownership schemes and pensions.

UK unions must similarly adapt to a changing world, as one interest group among many. They have won the minimum wage and progress on recognition. They can play a role in advancing members' interests in Brussels. But they are not going to get a seat at the economic table.

It is for union members to decide whether representation is worth their dues. Over the last 18 years a growing number have decided it is not. The precipitous decline in union membership is not only the result of Mrs Thatcher's attack on unions. It also reflects the fact that unions can no longer deliver the influence they aspired to. The TUC has made a partial adjustment to this reality. It has further to go. There can be no return to the good old, bad old days.

Basque truce

The Spanish government has reacted sceptically to the announcement of a ceasefire by Eta, the armed Basque separatist organisation.

Its caution is understandable: the truce could merely be a tactical manoeuvre ahead of the regional elections on October 25. And Eta is still demanding an independent Basque country, including a slice of France.

But this is Eta's first offer of a truce of indefinite duration and without explicit conditions. It raises a glimmer of hope that Eta and its political wing, Herri Batasuna (HB), have indeed learned something, as they promised, from the five-month-old peace accords in Northern Ireland.

As long as there were two violent nationalist movements within the European Union, they could to some extent draw legitimacy, as well as training, from each other. Now that Sinn Féin, the political wing of the Irish Republican Army, has drawn most, if not all, of the gunmen into the Irish peace process, Eta may be feeling uncomfortably exposed before Basque public opinion.

The region's leading political force, the Basque National Party (PNV), has also very consciously been trying to exercise the same moderating role on HB as the moderate Irish nationalist SDLP party did on Sinn Féin.

Parallels end here. The Basque situation ought to be simpler than Ireland, because Eta has no competitors and professes no loyalty to another state. In fact, it is more complicated, because the Spanish Basques have more autonomy, including tax-raising powers, than Northern Ireland ever did - yet that is not enough for Eta. While mainstream UK political parties have long agreed on the Northern Irish issue, Spain's nationwide parties do not speak with entirely one voice on terrorism and Eta.

The government's task must now be to somehow make it politically perilous for Eta to go back on its ceasefire. So far it has pursued a policy, rather than a political solution. The danger now is that it may see the truce as a sign of Eta's weakness, vindicating its unrelenting crackdown.

If the truce holds beyond October 25, the government should respond with some gesture, perhaps returning some Eta prisoners to the Basque region.

For its part, Eta should disavow itself of any hope at this stage of direct negotiations with Madrid on independence, and pitch into politics in the Basque region. Then perhaps one day there is a chance of moderate Basques joining with fellow nationalists in Catalonia and Galicia, to exploit the democratic potential of an increasingly federal Spain.

Russia's brave old world

John Thornhill says that Yevgeny Primakov is a blast from the past but cannot undo all the achievements of the Yeltsin regime



The Yeltsin years are ending in failure. When Boris Yeltsin stood on top of a tank outside Moscow's White House in August 1991 and faced down a hardline Communist coup, it seemed as though he had launched a new era of liberation in Russian history. The world's biggest country would cast off the shackles of its totalitarian past and command economy and embrace the values of a liberal democracy and a market society.

Seven years later, that interpretation of events looks hopelessly simplistic. The young reformers who were the intellectual driving force behind Russia's progress into that brave new world have been jettisoned by Mr Yeltsin and discredited in the country at large. In their place have returned the grey men of the late Soviet era, whose beliefs and instincts were moulded by the tenets of Marxism-Leninism, and who mutter increasingly loudly about the re-imposition of state controls in the economy.

Such men as Yevgeny Primakov, the newly-appointed 68-year-old prime minister, and Yuri Maslyukov, the former head of Gosplan, the Soviet state planning agency, who will run economic policy represent the cream of the old Soviet elite. They are decent, pragmatic, patriotic bureaucrats, what one political observer has called the "charming Communists" who stayed loyal to their principles and did not jump on the capitalist bandwagon in pursuit of a quick ruble.

Under their influence, Russia may be returning not to the stagnation of the late Soviet era but specifically to the path the country did not take in 1991-92. Then, the liberal wing of President Mikhail Gorbachev's establishment formulated the concept of *perestroika* (restructuring); it is now regaining its influence in the absence of their former leader. A cluster of *perestroika*-era economists, including Leonid Abalkin and Oleg Bogomolov, who have for the past seven years been churning out obscure journals in musty institutes, have found themselves once again at the centre of attention. It is possible that future historians will see Mr Yeltsin's reign as a brief interlude in a longer-run continuum in Russian history, rather than as a radical break with the past.

In the economic field, Mr Yeltsin's proudest boasts were that he had privatised the bulk of industry, liberalised the trade regime, stabilised the ruble and purged the country of inflation. Those achievements are all being called into question.

Leading politicians are now demanding that "criminally privatised" enterprises be nationalised. Victor Gerashchenko, the new head of the central bank, wants to re-establish currency controls. The central bank yesterday said that it would start printing money to pay off the state's backlog of unpaid wages and to bail out banks. The ruble's value has already been washed away in the welter of devaluation.

Even the flood of imported consumer goods, which filled the shelves in Russia's shops and became the most visible sign of the country's move towards a market economy, have begun to dry up as prices have rocketed yet further beyond the reach of many Russians and importers have struggled to cope with

the paralysed banking system. In the political field as well, Mr Yeltsin's achievement is coming unstuck. The heart of the post-Soviet political settlement was his constitution, adopted following a bloody clash with the parliament in 1993. In it, the president was Russia's central political figure, far more powerful than the legislature and able to fire the prime minister at whim. Mr Yeltsin is still in office but his dominance is being undermined as an increasingly assertive parliament wrests more authority from him. He cannot in practice fire his new prime minister without provoking an even greater political crisis. And, with once strongly pro-Kremlin regional leaders calling for a "rebalancing of powers" between the executive and legislative branches, Mr Yeltsin is being forced to concede that his previous constitution may have to be rewritten.

For all this, however, it is evident that Russia today is a very different country from that of 1991 and that the new leadership cannot turn the clock back to the late Soviet era, even if it wanted to. Some achievements of Mr Yeltsin's regime may be dismantled but a few fundamental reforms are likely to prove longer-lasting.

Yevgenia Albats, an influential journalist, argues that for all his

faults Mr Yeltsin has brought about some basic changes in Russia that the new leadership will not be able to ignore. He has, she says, lifted fear from the shoulders of the Russian people, bestowing on them the gifts of freedom of speech and religion and the opportunity to own property, travel abroad, and take responsibility for their own lives. "Russia was a country of slaves for centuries... I know what it is like to be bugged, to be followed, to live in fear," she says. "But I am the mother of a 10-year-old daughter and I am not afraid that tomorrow she will find herself in the Gulag. That is a tremendous achievement."

It is one that is likely to limit any attempts by the government to confiscate large amounts of private property without compensation. It also means that the government will not be able to easily impose Communist-era techniques of force and

oppression in dealing with black market traders who attempt to circumvent future price controls.

For his part, Mr Primakov denies any intent of pursuing a "Red Revenge" and argues Russia must reshape rather than uproot the reform process. He has called for more emphasis to be placed on the "consolidation of society" and the development of the "real economy" rather than fruitless financial speculation. Trained as he was in the theory of dialectical materialism, Mr Primakov appears to believe that the historical thesis developed in Soviet times combined with the anti-thesis of the Yeltsin era will now produce a synthesis under his administration.

"Consistency in pursuing the policy of reforms is guaranteed. Nobody should have any doubts," he said in a recent television interview, praising the development of a commercial banking sector and the temporary achievement of macro-economic stability over the past few years.

But he added that such accomplishments should not be regarded as ends in themselves. "All this should serve the development of the national economy, the development of industry. The purpose is that people should be paid their wages, should have employment."

Andrei Ilarionov, a liberal economist, argues that the single

The critical question is not about Primakov's intentions, but their likely consequences

like to be bugged, to be followed, to live in fear," she says. "But I am the mother of a 10-year-old daughter and I am not afraid that tomorrow she will find herself in the Gulag. That is a tremendous achievement."

OBSERVER

Hanover trails tunes of glory

There's not a lot of harmony in Hanover as the bands rehearse for German Unity Day on October 3. The anniversary of reunification is usually an occasion for consensus, reinforced by speeches of mind-numbing tedium, but this year there's discord over a 15-minute piece of music entitled *Variations on the Theme of Germany*.

The "anthem-mix" prepared for the gabfest features extracts from Germany's national anthem, local ditties *Song of the Marsh Soldiers* and *Goodbye Johnny*, and a few bars from the old anthem of communist East Germany, which is a great tune, even if the title - *Risen from Ruins and Facing the Future* - might have puzzled many citizens of the former GDR.

With a general election next weekend, the Red refrain wasn't going to go unremarked by Chancellor Helmut Kohl's political allies, especially as Hanover is the power base of Kohl's challenger, Gerhard Schröder, who's nominally in charge of the fun and games.

Bavaria's prime minister, Edmund Stoiber, is even threatening to celebrate German Unity Day by pulling his state out of it altogether. But there's still time for a compromise to be orchestrated, so that everyone

Bricklayer

can get together and sing from the same song-sheet.

Ever since Ole Kirk Christensen hawked stencils, ironing boards and wooden toys around Denmark in the 1930s, Lego has been under family control. But now his grandson, Kjeld Kirk Kristiansen, is hinting that taxation minister Ole Stavad's inheritance tax reform might drive the maker of plastic bricks into the arms of an international rival.

Given that the number of Danish global brands can be counted on two fingers - the other is "probably the best lager in the world" - the implied threat might lose Stavad some sleep.

Kristiansen has been built into the family business since he appeared on a Lego box lid in the 1950s, so threatening to get rid of the whole bag of bricks is a serious matter. But Denmark's richest man and former pipe-smoker of the year is a sprightly 50. So the betting in Copenhagen is that, by the time his children take over, Stavad will be just another forgotten politician and the tax laws will be framed to keep Lego Danish.

Musical drama

It seems that one high-flying US recruit isn't enough for London's Royal Opera House - the Linneys are determined to get two.

It's not all sweet music around Covent Garden these days - the company has just been closed for a year under a "rescue" plan which has upset the company's powerful unions. That hasn't stopped Michael Kaiser leaving

Portion control

Alcatel chairman Serge Tchouk in surprisingly good form yesterday morning, considering he had just announced a profit warning that would knock spots off the French telecoms equipment group's share price.

Asked about rumours linking Alcatel with Lucent Technologies of the US, the man from Marseille reeled off a list of household names that Lucent was rumored to be interested in gobbling up - morsels like Nokia and Siemens. He concluded simply: "Bon appetit."

Of course, Alcatel had become a much smaller mouthful by the end of the day.

Financial Times

50 years ago

Tax Plan in France
Paris, Sept 17. The Finance Committee of the National Assembly to-day adopted with slight modifications the principal articles of the Finance Bill, in particular the increase in the ordinary income tax and the tax on industrial and commercial and agricultural profits. This decision augurs favourably for the vote in the Assembly itself, which will examine the Bill to-morrow. The two principal Government parties, the Socialists and the M.R.P., have pronounced themselves in favour of the Government's plan, subject to the condition that the authorities will take energetic action to lower the price of meat.

Assassination Of Bernadotte
Amman, Sept 17. Count Folke Bernadotte, United Nations mediator, was assassinated in Jerusalem to-day. U.N. Headquarters in the Holy City gave the news in a message received here to-night. Unconfirmed reports said that uniformed men killed Count Bernadotte and a companion as they were crossing into the Jewish area. The Count was to have delivered his report on Palestine to the General Assembly next week.

RECRUITMENT



RICHARD DONKIN

Nurture vs nature

Some psychologists believe ingrained behaviour will always dominate office life

Talent does not exist. It is a myth which should be demolished, a study said last week. The research, led by Michael Howa, professor of psychology at Exeter University, would appear to have important implications for recruitment and the development of individuals in the workplace.

The study challenges some enduring tenets underpinning most western educational systems, and the comparatively new ideas on evolutionary psychology that human behaviour is embedded in your genes.

Only last month in the Harvard Business Review Nigel Nicholson, professor of organisational behaviour at London Business School, argued that people were predisposed to adopt certain behaviours ingrained during the stone age.

By this argument the removal of designated parking spaces and corner offices for executives, he suggests, is a waste of energy because it is natural, for men in particular, to seek out status and to establish hierarchy. The

office, it seems, can be as symbolic of executive power as the throne is of kingship.

Prof Nicholson comes from a long line of behavioural geneticists who have tended to hold the whip hand in the development of selection processes for most of this century. He asserts that "there is little point in trying to change deep-rooted inclinations". Thus, with regard to leadership he concludes that "the most important attribute for leadership is the desire to lead".

This may hold true for the leader but does it hold for those who are led? It could be argued that the self-driven cult of the leader has been at the root of the 20th century's most destructive episodes. Is it wise for any organisation, be it corporate or governmental, to allow the natural emergence of the removal of designated parking spaces and corner offices for executives, he suggests, is a waste of energy because it is natural, for men in particular, to seek out status and to establish hierarchy. The

when Prof Nicholson points out that any parent of several children is aware of the differing personalities among their brood. But how can it be squared with the theories of those, like Prof Howa, who argue that excellence is not inborn but determined by a variety of factors such as opportunity, encouragement and endless practice?

The Exeter research noted that the ability of violinists, for example, tended to depend on practice. Equally, practice appeared to ensure that waitresses could remember far more drinks orders than a control group of students. It was wrong to assume, therefore, said the report's authors, that a person needed talent to reach high levels of ability.

It seems a shame that academics should adopt such polarised views but after listening to a talk by Edward de Bono given to the Academy for Chief Executives in London last week it is no longer surprising. Mr De Bono suggested that sometimes people can know too much. "A lot of people with high IQs get stuck in the intelligence trap," he said.

"They have a point of view and the more intelligent they are the better they are likely to be at defending their argument. Many excellent minds are trapped in poor ideas. That is not excellent thinking."

This could be one of the problems of the nurture versus nature debate. If one side were to suggest that the search for talent can be misplaced it might find many more in agreement. In the same way personality traits could be accepted more readily if there was greater acceptance among those attracted to the idea of genetically inspired behaviour that people can also be moulded by their environment.

What is the point of intelligence, after all, if it supports a conviction that turns out to be wrong? Wasn't it Keynes who admitted: "When the facts change I change my mind. What do you do sir?"

Leap in US CEO pay

The extent to which the salaries of US executives have shot ahead those of other workers in the past 10 years has emerged in a new compilation of employment statistics.

The pay of US chief executives, including bonuses, grew by 44.6 per cent between 1988 and 1997, far beyond that in any other occupation. The biggest leap occurred in the recovery years between 1992 to 1997 when chief executive pay

CEO pay in advanced countries

| | 1988 \$100 | 1997 \$100 | % change 1988-97 | Ratio of CEO to worker pay, 1997 | US pay relative to foreign pay, 1997 US = 100 |
|----------------|------------|------------|------------------|----------------------------------|---|
| Australia | 184.7 | 476.7 | 258.20 | 18.0 | 76.9 |
| Belgium | 325.5 | 470.7 | 43.4 | 13.0 | 134.3 |
| Canada | 322.2 | 440.9 | 37.1 | 13.0 | 97.7 |
| France | 348.0 | 523.5 | 50.4 | 15.0 | 58.1 |
| Germany | 322.7 | 423.9 | 31.3 | 11.0 | 47.0 |
| Italy | 250.1 | 430.3 | 72.1 | 18.0 | 50.0 |
| Japan | 420.1 | 397.7 | -5.3 | 10.0 | 44.1 |
| Netherlands | 330.2 | 442.9 | 35.6 | 14.0 | 48.1 |
| Spain | 301.2 | 333.8 | 10.7 | 15.0 | 37.0 |
| Sweden | 200.8 | 340.7 | 69.7 | 11.0 | 47.8 |
| Switzerland | 438.9 | 495.2 | 12.8 | 14.0 | 51.8 |
| UK | 360.0 | 498.7 | 38.5 | 16.0 | 54.3 |
| US | 300.0 | 300.0 | 0.0 | 100.0 | 100.0 |
| Non-US average | 327.8 | 438.9 | 33.9 | 13.8 | 48.0 |

Source: The State of Working America 1998-99

rose 38.6 per cent. These figures do not include profits made on share options. If these are taken into the calculations the full compensation of chief executives doubled over the 1988-97 period, growing by 71 per cent in the five years after 1992.

The clearest illustration of the growing gulf between the pay of US executives and other workers is the increasing ratio of chief executive pay to that of the average worker. In 1978 the chief executives of large US companies earned 28.5 times more than an average worker. In 1989 it had grown to 56.1 and by 1997 it was 115.7. In 1997 a chief executive needed to work half a week to earn what an average worker earned over a whole year.

As the authors demonstrate US executive pay has not only forged ahead of other workers' pay,

it has been moved well ahead of that available for executives in other countries.

This is demonstrated by the index on the right hand side of the table here which sets US pay equal to 100 so that any index value less than 100 shows that a country's executives earn less than those in the US.

The authors point out that the index shows that US chief executives earn double the average of the 12 other industrialised countries in the comparison and no country has executives which get paid as much as 60 per cent that of their US counterparts.

The State of Working America 1998-99, Economic Policy Institute, tel 001 202 775 8810, to be published in January by Cornell University Press

richard.donkin@FT.com



WORKING BRIEFS

Service to help personnel managers cope with Emu

Watson Wyatt Worldwide, the human resources and benefits consultant, has launched a service to help personnel managers cope with European economic and monetary union.

The service will concentrate on personnel pay and benefits issues - such as policies on pay parity across Europe - that companies will need to have addressed before the euro comes into operation on January 1 1999.

Simon Bleach +44 1737 241144

Social security

An even greater problem than the euro could be the way companies can be caught out by changes in social security laws aimed at shifting the burden of retirement benefits from the state to the corporate sector. A new report from Towers Perrin shows that reform of national social security laws can have a serious impact on company overheads.

Recent reforms in France, it says, increased the liability of one multinational from

£6m to £24m. A restructuring of Mexico's social security last year increased costs for some companies by millions of dollars.

"Sweeping change in public and private programmes is a truly global phenomenon," says Nigel Bateman, head of the firm's UK-based international benefits consulting practice.

The report, Retirement Income Around the World, analyses retirement systems in 17 countries, ranking them in terms of overall benefits provided by private employer plans. The UK is third in the rankings behind Hong Kong and Australia but ahead of the Netherlands, Canada and the US.

Datatis: 001 800 525 6741

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Datatis: 001 800 525 6741

Higher salaries

Job market data collected by the UK's Federation of Recruitment and Employment Services in August suggests that a tightening labour market is continuing to drive up salaries and that in spite of recession fears demand for staff in most sectors is still high. The only evidence of an easing of recruitment growth is a slowdown in demand for unskilled manufacturing workers.

Arne Fitzpatrick +44 1225 318000

BANKING FINANCE & GENERAL APPOINTMENTS

RBS Cards is a new division of The Royal Bank of Scotland Group and responsible for management of all Royal Bank of Scotland, RBS Advantage and affinity and co-branded credit cards. It has been formed through a merger of its substantial existing cards business and the highly successful and now wholly-owned RBS Advantage.

It is one of the fastest growing and most innovative card companies in the UK and already the fifth largest issuer of VISA and Mastercard credit cards in Europe. Very ambitious targets have been set with the creation of this new unit and two outstanding opportunities exist to be highly influential members of the senior team.

Salary packages will reflect the importance of these roles.

OUTSTANDING OPPORTUNITIES WITHIN CREDIT CARDS

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BUSINESS ANALYSIS DIRECTOR

- Major competitive advantage exists through innovation underpinned by superior technology and data-driven management and marketing techniques. As a function, Business Analysis influences every major decision in the business and is a cornerstone for continued success.
- The role will lead the transfer of complex concepts and statistical results into clear management information which facilitates good strategy and decision making. There are no large departments implementing 'run of the mill' solutions.
- Candidates will be able to demonstrate successfully combining an intellectual, commercial and managerial approach within a 'hands-on' style. Will also be 'mathematically minded', highly literate in analytical software packages and experienced in working in a relational database environment.

CREDIT RISK DIRECTOR

- Will lead the development of risk management, providing the vital optimisation of balance between revenue and risk as the business grows.
- As a member of the senior team, a significant contribution to the overall strategic direction and management of the business will also be expected.
- Candidates will bring a number of years' experience managing risk. They will have strong strategic vision, technical and professional knowledge, well-honed analysis, judgement and problem solving skills and a range of softer skills encompassing leadership, teamwork, communication and persuasiveness.

Please send a full CV including details of current remuneration to: Willie Finlayson, Finlayson Wagner Black Ltd, 29 Alva Street, Edinburgh EH2 4PH. Tel: 0131 539 7087. Fax: 0131 539 7086. E-Mail: fin.wag.black@btinternet.co.uk



Deal shaping on a global scale



Andersen Consulting is the world's leading management and technology consultancy. Our continual growth has been achieved through our unique ability to create business solutions that integrate expertise and experience across the full range of business needs - strategy, technology, processes and people. It is this integration that allows us to create our business solutions and for those seeking far-reaching change, only Andersen Consulting brings the insight, practical know-how and global, integrated capabilities to help them achieve success.

The firm's ongoing development has created opportunities for a small number of high-calibre financial analysts to apply their skills within an intellectually and personally demanding context. These exceptional individuals will join the Global Deal Services team, which is responsible for shaping and structuring the firm's \$billion outsourcing, enterprise and value-based consulting activities. They provide high-level commercial support to partners across the practice and structure commercial arrangements between Andersen Consulting and its clients through to contract negotiation.

Global Deal Services currently numbers some 60 staff worldwide but plans are in place for continued growth. This provides outstanding scope for ambitious professionals who have the dedication and resilience to achieve in these exacting roles. A professional accountancy or finance qualification is essential. Fluent English should ideally be matched by knowledge of one or more other European languages. Substantial travel will be involved.

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To find out more, please contact our advising consultants, quoting reference AC62:
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E-mail: ac62@talismanis.co.uk

For more information, please visit our website at <http://www.ac.com>

ABN-AMRO Equity Research Analysts Middle East & North Africa (MENA)

ABN-AMRO has decades of experience in the Middle East and North African economies, currently employing over 1,500 staff in the MENA region. Through one of the widest regional network of offices, ABN-AMRO offers universal banking services to its local, regional and international clients. It is now expanding upon this strong base through its capital markets activities. With one of the most experienced MENA capital market teams, ABN-AMRO is to strengthen its equity research team and is recruiting analysts in London and in the MENA region.

The role of the analyst will include:

- Publication of equity research on the markets of the Middle East and North Africa.
- Frequent visits and service to our Institutional and Corporate clients.
- Regular contact and interaction with the dedicated Equity Sales, Equity Capital Markets and Corporate Finance teams.
- Responsibility, as part of the MENA team, for broadening ABN-AMRO's profile through extensive marketing in the MENA region and globally.

Potential candidate's profile will show:

- Experience, preferably in equity research/accounting.
- Good academic background with demonstrable writing and analytical skills.
- Fluency in Arabic essential, with French an advantage.

Please send your CV with current remuneration package, to:

Mr Angus Blair, Head of Equities, Middle East & North Africa, ABN-AMRO Equities (UK) Ltd, Beaufort House, 15 St Botolph Street, London EC3A 7QL. E-mail - angus.blair@abnamro.co.uk Tel: +44 (0)171 678 5340. Fax: +44 (0)171 678 5620.

EUROPEAN RESEARCH ANALYST

Real Estate Fund Management - International Bank

Central London

Salary negotiable

Our client, a British bank international in favour, has successfully developed a range of niche businesses including property lending. Success in this field has led them to establish a new Real Estate Fund Management department. A new opportunity is now available for a European Research Analyst to join this small specialist team to provide research support for future property investment decisions and transactions.

Based at the Central London HQ, your wide ranging responsibilities will include:

- researching European property markets
- sourcing and co-ordinating external research services
- producing high quality marketing material for clients
- presenting research findings to clients

You are likely to have around 3 years' commercial experience and be familiar with a number of European markets. Whilst a knowledge of commercial property is desirable, it is not essential. Educated to degree level in economics or a similar discipline, you will be able to combine research skills with first class written communication abilities. You will be computer literate and capable of working to an advanced level on spreadsheets.

Competitive remuneration package.

Please send a full CV and covering letter to Linda Steel, at Ideachange Ltd, Human Resource Consultants, Storehouse House, Bedford Road, Princes Risborough, Bucks HP27 9NG, or telephone her confidentially on 01844 275788 (office), 275906 (fax) or 01844 274957 (even/weekends). E-mail: enquiries@ideachange.com

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Devonshire Executive
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E-mail: b.jarvis@devonshire.co.uk

SENIOR CREDIT MANAGERS

US\$80k-150k plus bens

We have a strong demand from Gulf-based clients for senior bankers with in-depth knowledge of the credit function at executive level. Proven track records in credit analysis are essential and candidates with backgrounds in risk management and credit administration are also sought. Strong communication and management skills are vital as these roles are integral to the promotion of the bank's profitability and income objectives, providing high profile guidance to our client banks' business units. Fluency in Arabic is preferred.

CORPORATE RELATIONSHIP OFFICERS

c.US\$85k plus bens

Our client, a prime regional bank, seeks to expand its corporate banking team by the appointment of a number of experienced bankers to develop and maintain corporate relationships. The ability to devise highly focused marketing programmes using state-of-the-art existing management information will be backed up by strong financial analysis and product packaging skills. Knowledge of the region is an advantage but not necessary.

FINANCIAL CONTROLLER

£60k+ plus bens

A major Gulf based bank seeks urgently a qualified accountant to manage the integrity of the bank's balance sheet and operating results. As a full service commercial bank, business sectors include wholesale and retail banking, treasury and capital markets. Strong emphasis will be placed on MIS skills and proven expertise in this area and its systems is required in addition to well developed analytical skills and computer literacy.

LOAN SYNDICATIONS MANAGER

£ negotiable

This leading Gulf based banking group requires a Syndications Manager to join its head office unit. Candidates will have extensive hands-on experience in all aspects of both origination and distribution, preferably with Middle Eastern credits. Knowledge of capital markets and project finance would be an advantage.

Devonshire executive

Advent International
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European Private Equity Associate

London

£ Excellent

Advent International is one of the world's largest and most dynamic private equity investment firms, with some \$3 billion of funds under management. The firm, with European headquarters in London, employs over 90 professionals, operates in 30 countries and has made over 400 portfolio investments. In Europe, they focus on later stage expansion financing and buy-outs, with transaction sizes falling primarily in the £20 million to £500 million range.

Due to continued expansion, they seek an exceptional individual to join a team focused on the generation and proactive development of sector specific deal activity. This will encompass research into selected markets such as media, telecommunications, healthcare services, chemicals and retail/consumer sectors throughout the UK and Europe.

Having identified, evaluated and originated potential investments, you will be involved in carrying transactions through to their successful conclusion, in addition to working on other transactions generated by the company.

Candidates will be highly motivated ACAs, MBAs or corporate financiers, employed by leading firms in their respective fields. In particular, they must possess strong financial modelling skills, combined with a strategic, commercial and entrepreneurial acumen.

All applicants must possess excellent academic credentials, strong interpersonal skills and the confidence to market Advent International and the ideas they generate at the most senior levels. Candidates must exhibit exceptional potential and European language skills would be advantageous.

Interested candidates should contact Annabel Haywood or Charlie Thompson on 0171 269 1862 or write to them enclosing a full curriculum vitae to Michael Page City, 50 Cannon Street, London EC4N 6JJ, Fax 0171 329 2986. Please quote ref 451453. e-mail: annabelhaywood@michaelpage.com

For more information on Advent International, please visit their website on www.adventinternational.com

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- You will facilitate and deliver communications programmes at a regional level that are in line with global communications objectives.
- Complete responsibility to keep abreast of technical developments in the communications field, particularly the Inter/Intranet technologies and be able to advise and make recommendations to colleagues and local management of the developments.
- Play a key role in the successful delivery of the conferences and events initiatives. You must be able to plan, implement and evaluate the outcome of these activities.

Requirements:

- Of graduate calibre with a proven track record of successfully delivering internal communications strategies within a technical environment.
- Intellectually bright with the gravitas and maturity to influence a diverse range of senior level individuals.
- You must be able to demonstrate an understanding and have worked successfully with Inter/Intranet based technologies.
- You will be a results driven communications specialist who will take ownership of projects, adhere to strict guidelines and deliver to the very highest level.

To apply, please forward a current curriculum vitae to our retained consultant, Fraser Wilson at Michael Page Sales & Marketing, Savannah House, 11 Charles II Street, London SW1Y 4QZ. Please quote reference 446140. e-mail: fraserwilson@michaelpage.com www.michaelpage.com



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Deutsche Financial Services European Counsel

With headquarters in St Louis, Missouri, Deutsche Financial Services (DFS) is an international leader in financing and servicing programmes that facilitate the distribution and sales process. It provides flexible finance programmes tailored to the specific needs of its clients' businesses ranging from inventory financing through to asset-based lending and end-user financing. DFS's managed loan portfolio exceeds US\$7 billion and is a unit of the Deutsche Bank Group. With assets of US\$550 billion, Deutsche Bank Group is one of the largest financial institutions in the world.

Amsterdam

Excellent Package

A senior lawyer is now required to service the group's current European legal needs and manage legal affairs in DFS's expansion into Western Europe. Based in the expanding Amsterdam office and reporting directly to the General Counsel, St Louis, you will be an integral part of the global legal group and will work autonomously alongside the business in Europe.

- A European qualified lawyer with approximately five years post qualification experience in general finance including asset finance, secured lending, conditional sale

structures, factoring and syndicated loans. Knowledge of local credit license regulation is also useful but not essential.

- Fluency in English, plus a second European language, is highly desirable given the global nature of DFS's business as is an understanding of EU regulations.

• Capable of working autonomously and liaising directly with internal project groups, you must be able to effectively manage external counsel and take a pragmatic, pro-active approach to legal work, fully integrating yourself into the business.

To find out more about this opportunity with a truly global organisation, please contact our exclusively retained consultant, Catherine Brown on 0171 269 2454 or write to her enclosing your CV at Michael Page Legal, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 2936. This assignment is being handled exclusively by Michael Page and all direct or third party applications will be forwarded to them. e-mail: catherinebrown@michaelpage.com www.michaelpage.com

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Manager, Credit Risk

The Financial Services Authority (FSA) will be the new integrated regulatory authority for the UK financial services industry. Its scope will ultimately extend to banking, securities and investments, building societies, insurance, friendly societies and credit unions.

Our banks policy department is responsible for interpreting and developing prudential supervisory policy in relation to banks (and, in due course, building societies). This involves looking at all aspects of the supervision of banking groups, with a particular emphasis on the establishment of capital requirements for credit and operational risk.

We are now looking to appoint an individual with the substantial level of experience and knowledge to manage a team developing the framework for assessing supervisory policies on credit risk. Your role will include taking the lead in consultations on an international level reviewing the international rules for banking supervision (especially at the Basel Supervisors Capital Sub-group). To manage the efficient and effective implementation of these processes, you will be expected to

undertake a significant amount of credit risk modelling work whilst focusing on the refinement of more traditional methodologies.

This is a high profile position within this prestigious new regulatory body, and consequently we are looking for an individual with the confidence, credibility and charisma to pursue the UK's aims in international negotiations. You must also demonstrate a strong understanding of policy in this area and the ability to understand new complex structures, supported by first class managerial and interpersonal skills.

Interested? Then please call 0171 269 6204 for an application form.

Closing date:
30th September 1998.

FSA

Financial Services Authority

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Financial Analyst Capital Markets and Financing

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have also obtained an MBA with Corporate Finance or a similar subject as your speciality. Your English, and if possible a further foreign language, is so fluent that you can negotiate with confidence. Ideally, you have already been able to prove your qualities through your engagement in demanding projects abroad.

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Your analytic mind gets straight to the heart of even complex problems. You master stress situations with self-confidence and the determination to find solutions. And it's not least your social and communication skills which convince - and enthuse - others.

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Investment Banking

Die Bank: Ein bedeutendes, erstklassiges Kreditinstitut mit Universalbankcharakter und Stützpunkten an allen bedeutenden Finanzplätzen der Welt. Im Rahmen des weiteren Ausbaus des Kapitalmarkt-Geschäftes möchte die Bank mit Sitz in Deutschland ihr Investment-Banking-Team verstärken. Wir suchen für diese erste Bankadresse, neben erfahrenen Persönlichkeiten, auch jüngere Mitarbeiter mit ersten vertieften Kenntnissen in den angesprochenen Bereichen, die in diesen Aufgaben eine Chance zur Realisierung ihrer Berufswünsche sehen:

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Die Anforderungen: Drei bis fünf Jahre Berufserfahrung als Portfoliomanager oder als Analyst, gerne auch mit quantitativem Ansatz. Kenntnisse der europäischen Märkte, eventuell der Emerging Markets erwünscht; Englisch selbstverständlich.

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Unser Projekt: TEN

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Ihre Kontakte: Herr Thomas E. Schiller sowie Herr Matthias Junges an diesem Sonntag erreichen Sie Herrn Schiller zwischen 18.00 und 20.00 Uhr unter +49 6172 4904-14 und Herrn Junges unter +49 6172 4904-12 im Büro zu erreichen. Senden Sie uns Ihre Unterlagen bzw. Ihre Vita, auch per e-mail an SJP-Team@t-online.de. Wir senden Ihnen dann gerne die gewünschte Unternehmens- und Positionsbeschreibung. Diskretion ist selbstverständlich.

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Applications are invited from individuals as detailed below, although more senior applicants will also be considered. At Associate Director and above, candidates with relevant sector experience, whether gained within an investment bank, the strategic planning division of a UK or European corporate or a major management consultancy will be given priority.

ASSOCIATE DIRECTORS

- Degree plus additional qualifications (ie ACA/MBA).
- Minimum of 5 years' relevant experience of transaction execution either within investment banking, industry or management consultancy.
- Experience of cross-border M&A and corporate advisory.
- Recent UK domestic City Code experience optional but an advantage.
- Strong technical/modelling skills.
- Ability to manage "hands-on" transactions with a great deal of independence.
- Ability to participate in high-level client presentations and on-going client contact.
- European language skills would be an advantage.

EXECUTIVES

- Degree plus additional qualifications (ie ACA/MBA).
- Minimum of 1 year's Strategic Advisory/M&A or Corporate Advisory experience in a leading investment bank of corporate.
- Excellent computer financial modelling and analysis skills.
- Demonstrable transaction exposure and experience in researching and supporting client presentations.
- European language skills would be an advantage.

Interested candidates should send their resume in strict confidence, including current remuneration, to Sam Dewhurst at:
The Berwick Group, 51 Lincoln's Inn Fields, London, WC2A 3LZ. Tel: 0171 404 6446 / Fax: 0171 404 6062 / E-mail: bergrp@dircon.co.uk

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Vice President & Associate Levels Commercial Real Estate Analysis & Finance London

Moody's Investors Service

Analysing the Key Transactions in Commercial Real Estate.

Moody's Investors Service, the international credit rating agency, has built a worldwide reputation for its credit analysis. Opportunities exist within our Structured Finance Group, at both the Vice President and Associate level, for individuals who wish to specialise in the analysis of commercial real estate assets and related financings. These include complex and innovative securitisation structures and principal finance transactions across all the major European markets and property classes.

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Applicants for the Associate position will be expected to provide in-depth analytical support and research for

Moody's Senior Analysts, contribute to special publications and to interact with investment banks, debt issuers and investors. We are looking for people who will eventually lead our analysis of individual transactions, as the Structured Finance Group has a strong track record of internal training and promotion.

Knowledge of securitisation would be ideal, but is by no means essential. Knowledge of commercial real estate or real estate lending is vital for both positions. Cashflow modelling skills and European languages would also be attractive.

Moody's excellent compensation package and friendly working environment are designed to attract the highest quality candidates. Placements in our international offices may also be available to the right candidate.

Please write with full cv, including current salary details, to Dominic Swan, Moody's Investors Service, 2 Minster Court, Mincing Lane, London EC3R 7XB.

VALUATION RISK ANALYST

GLOBAL FINANCIAL SERVICES COMPANY

COMPETITIVE PACKAGE

NEW YORK

THE COMPANY:

Our client, an investment bank operating in more than 55 countries, offers integrated, innovative and value-added services. The Risk Management Division is one of five business lines providing derivative solutions to customers worldwide. As a result of an ever increasing complex product range and internal promotion, our client requires an exceptional individual to form part of a Global Management team based in New York.

THE ROLE:

The role offers an in-depth exposure to valuation and risk issues covering the most innovative derivative products across all markets, including:

- A primary focus on exotic products
- Development of models to independently verify product valuation and risk
- Assessment of risks associated with new products and existing businesses to determine valuation methodologies
- Post and pre-execution deal analysis
- Close liaison with Traders, Product Controllers, New Product Development teams and Risk Managers

THE PERSON:

This position would suit an individual with a mathematical bias and an interest in developing the breadth and depth of their knowledge of complex financial derivatives.

Successful candidates will be:

- A US National or Green Card Holder
- Self-motivated
- Able to articulate the solution clearly and concisely with Senior Management
- Competent in Programming (C++ or similar)

You should enjoy the intellectual challenge of solving complex problems and:

- Have a strong mathematical/quantitative background (ideally a PhD)
- Have at least two years' experience in Financial Modelling and Derivatives

If you have the qualities to succeed, please send a full résumé in the strictest confidence, quoting reference no FT3258 to:

Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN, UK.
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- It represents an excellent opportunity for a self-motivated, ambitious, energetic individual to get to know the Group's operations with first class prospects of a general management position in the UK or overseas in two to three years.

- He/she will be educated to degree level with around ten years' experience, including consulting or strategic roles where strong project management skills have been developed.

- A background in the financial services sector, whilst not essential, would be highly beneficial.

- Personal qualities will include a first class intellect, an analytical and numerate mind, strong leadership skills and a highly commercial approach. Candidates must be flexible, prepared to travel and willing to relocate in due course. Language skills would be distinctly advantageous.

Please apply in writing quoting reference 2926 with full career and salary details to:
Chris Slinger
Whitehead Selection
11 Bell Street, London W1X 8BB
Tel: 0171 290 2000. Fax: 0171 290 2005
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THE ROLE

- Reporting to the VP Marketing of the EMEA region, take responsibility for business development, and the determination of strategy and its execution as one of the European team.
- Develop a detailed understanding of the consumer banking sector in the region, identifying competitive pressures and trends. Develop a future strategy for growth to include acquisitions, investments, partnerships and special relationships.
- Work closely with internal and third party advisers in targeting prospective acquisitions, handling all aspects of due diligence, negotiation and integration planning. Define and manage an ad-hoc team at the European headquarters, looking to meet aggressive expansion targets.

THE QUALIFICATIONS

- Bright graduate, ideally MBA, with a minimum of six years' experience of M&A and strategy planning in management consulting, investment banking or corporate development. Having an outstanding intellect, he/she will be fluent in two or more European languages.
- Proven deal maker with disciplined transaction management skills and a highly analytical and strategic mind. History of completed M&A transactions across all of Europe.
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Excellent Package

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Equity Capital Group will make \$700m of private equity investments in 1998 in a wide range of businesses, bringing not just money, but access to the world-wide resources and expertise of its parent companies. Particular focus areas include Telecommunications, Media, Financial Services, Transportation and Manufacturing. Investments are made across Europe from a Head Office in London and local offices and we recently opened in Frankfurt.

Our expansion calls for an experienced Business Development Associate to assist in the origination and be responsible for the evaluation of potential investments in Germany. You will have a business/nominate degree/MBA

and proven financial analytical experience. Fluent German and experience of the German domestic market and culture is essential. Private equity transaction experience is not required, but your experience must include 2-3 years working on corporate finance, M & A, structured or project finance transactions.

You must enjoy working in a small team and be self-sufficient. GE Capital is firmly committed to a policy of career progression within the group world-wide and other major European languages in addition to German and English will be an advantage.

An excellent package will be negotiable.

Please write in English to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref: EPE7806/FT

CJA, 2 London Wall Buildings, London EC2M 5PP.

Tel: 44 171 588 0680 Fax: 44 171 256 8501

E-mail: cjagroup@online.rednet.co.uk



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Venture Capital

Outstanding Career Opportunities

UK & Continental Europe

With 28 offices located across the UK and Continental Europe, 3i is Europe's leading venture capital company. The Company has an outstanding and sustained record of performance, and a strategy for further growth both in the UK and overseas.

They now seek to recruit a number of high-calibre professionals to work within close-knit teams, supporting acquisitions, start-ups and business growth opportunities.

The key elements of the UK role will be finding and making new investments, managing a portfolio of existing business interests and marketing the company within the business community. Following extensive training, you will handle a wide range of business relationships at any one time, evaluating proposals and business plans, structuring deals, negotiating and completing investments.

You will be a graduate, with a good honours degree, and at least three years' sound career progression and achievement within a blue-chip industrial or professional environment. Previous experience of a client-facing role would be a distinct advantage.



Excellent Rewards

as would familiarity with advanced or emerging technologies.

The role demands strong commercial acumen combined with the ability to build effective, long-term business relationships with the senior management of investee companies. To meet this challenge you will require first-rate analytical skills, drive, empathy and resilience.

In the UK we are looking to recruit candidates across all regions.

Opportunities also exist across Continental Europe for candidates with relevant multi-cultural experience and language skills.

These are outstanding career opportunities offering excellent rewards both in terms of remuneration and professional challenge.

Please reply in confidence, enclosing a full curriculum vitae, current salary details and quoting reference B2048, to: The Managing Director, Alexander Hughes Selection, 14-18 Lower Regent Street, London SW1Y 4PH or you can e-mail us at baldwin@ahslondon.co.uk

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FAST EXPANDING INVESTMENT MANAGEMENT ARM OF GLOBAL FINANCIAL SERVICES ORGANISATION

For this new appointment we invite applications from graduates with 4-6 years' experience of retail marketing within the financial sector. Exposure to available marketing tools and regulatory issues affecting the spectrum of sales to the retail market will be important. A second European language, preferably German or Dutch, will be key. Due to the rapid expansion of the Pan-Continental Europe distribution our client is looking for a highly motivated self-starter to report to, complement and support the European Retail Sales Co-ordinator. The overall market covers UK, France, Italy, Germany and Benelux. However, your main focus is expected to be Germany and the Netherlands. Specifically, your role covers: supporting the launch of the funds in the above locations; assisting in the product innovation and implementation process; devising imaginative marketing tools as well as driving participation in Internet sales activities. Essential qualities are high energy levels, flexibility, an entrepreneurial approach to European market development and the ability to work as a team member. 25% away travel should be expected. Initial salary negotiable in the range £50,000 - £70,000, plus performance related bonus and large company benefits. Applications in strict confidence under reference EMD7799/FT to the Managing Director, CJA.

Equity and Investment Banking

Our client is one of Europe's largest banking institutions.
Their stockbroking arm is seeking to recruit two senior individuals:

Business Manager

This role is key to the growth and strategy of the business and will encompass global responsibility for systems, operations risk management and finance functions. The candidate will join the senior management team of the Equity and Investment Banking business, initially focusing on developing and running a detailed management information system which will increase in sophistication over time to facilitate efficient management of the business.

Extensive experience at senior management level, plus an advanced knowledge of the equity markets and the ability to build a sophisticated MIS is therefore essential.

Candidates should be of MBA calibre, fluent in English, German and have at least one other European language.

Global Head of Marketing

Reporting to the Global Head of Equities, the candidate will be responsible for building up an account management system to optimally service the global client base with the full equity product range of the business. The role will extend to managing the activities of the sales teams on an integrated basis.

Candidates must have a proven track record in global equity sales distribution and will be able to demonstrate excellent management skills. They must also be fluent in English, German and at least one other European language.

Competitive packages including bonus and full benefits are available for the successful candidates.

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A comprehensive technical knowledge of Fixed Income / Structured / Derivative Products, coupled with presentation and marketing skills gained within a Bond Sales / Trading role are required. A relevant second European language is essential. Applicants should have excellent academics, good communication skills and the ambition to succeed in a dynamic, meritocratic organisation.

Please send CV or contact Ingrid Gottschalk at Rizwan Nash,
21 Ellis Street, London SW1X 9AL
Tel: 0171 730 4211 Fax: 0171 730 0611



Rizwan Nash

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Applications are invited from candidates, aged 27 - 32, preferably qualified either as Accountants or Lawyers who will have acquired at least 2 years' corporate finance experience within a stockbroker or merchant bank. Responsibilities are widely drawn and will cover initial public offerings, M&A and documentation - mainly for smaller companies. Close liaison will be maintained with stockbrokers, accountants and lawyers. The qualities of polish, tact and tenacity are important plus the ability to contribute to the organisation's further successful growth. Initial salary negotiable £35,000 - £55,000 plus profit related bonus, contributory pension and private medical insurance. Applications in strict confidence under reference CFE7801/FT to the Managing Director, ALPS.

Corporate Assistants

Apply your analytical experience and your operational talent in a high-potential position within an international group.

We are a privately held industrial and services group. A truly global player, our business operations grow continuously generating sales of about US \$1 billion. Our activities are organized in four regions, i.e. Europe/Middle East/Africa; Asia/Pacific; North America; South America.

To support our Chairman & Owner and the General Manager of our holding companies with the formulation of corporate strategy, the control of operations and investments and the implementation of state-of-the-art financial management tools we are recruiting

- Assistant to the Chairman (ref. AG/01)
- Assistant to the General Manager (ref. AG/02)

You will assist our Executives in their business development and portfolio-optimization efforts. You will be entrusted with investment and acquisition briefs and analytical projects. At a central position within our organization you will recommend corporate decisions and monitor their proper implementation.

Furthermore, in a team coached by the General Manager, you will be given responsibility for devising the group's business plan.

You have an outstanding business education (IMD, IESE, INSEAD, US MBA) with a strong strategy, control and finance focus. At least 3 years of international experience in control & financial analysis or as a consultant or junior investment banker are required.

Fluency in English and at least two other world languages is a must. Your professional background is fully international and you are worldwide mobile and flexible. The positions will be based in Europe with the possibility to relocate in another region at a second stage. You will enjoy a high degree of autonomy within a very active environment. Our Group offers exceptional opportunities for career advancement.

Please send your CV and accompanying letter, quoting the relevant reference, to our consultant who will arrange for you to attend an interview close to your current address.
NEUMAN MANAGEMENT SELECTION,
1 A boulevard d'Aumers
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CORPORATE FINANCE SPECIALIST FOR HEDGE FUND

Sabre is one of Europe's leading hedge fund companies. We have developed a significant marketing capability and are now looking for a commercially minded negotiator to help with the legal/technical aspects of structuring funds and preparing detailed proposals for presentation to clients. Applicants will have a fund management, legal or banking background and possess good interpersonal skills. A six figure package is proposed.

Please write to Mr Robin Edwards,
Sabre Fund Management Ltd, Windsor House,
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The Caisse de dépôt et placement du Québec manages assets totalling US\$45 billion, including one of the largest equity portfolios in Canada. It wishes to hire professionals for the following positions:

FUND MANAGER - ASIAN EQUITIES (EXCEPT JAPAN)

Reporting to the Senior Fund Manager - Asian Equities, the Fund Manager will manage an in-house Asian equities portfolio. The successful candidate shall possess a minimum of three years' experience as an institutional fund manager of Asian equities.

FINANCIAL ANALYST - ASIAN EQUITIES (EXCEPT JAPAN)

Reporting to the Fund Manager - Asian Equities, the analyst will conduct research on companies in the region, make appropriate recommendations and participate in establishing the investment strategy. The candidate shall possess about three years' experience as an equity analyst of Asian companies, for an institutional fund manager.

Both positions require a university degree, preferably in Finance, and strong analytical and communication skills. They also require proficiency in English and, given the work environment, communication skills in French, which may be acquired within a reasonable period after hiring.

Applicants interested in taking up the challenge should forward their CV in confidence to: Human Resources, Caisse de dépôt et placement du Québec, 1981, avenue McGill College, Montréal (Québec) Canada H3A 3C7.

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Financial Times

Norges Bank, the Central Bank of Norway, is an executive and advisory body for monetary policy and has a key role in the country's payment system.

THE MARKET OPERATIONS DEPARTMENT

The Market Operations Department is responsible for effecting Norges Bank's transactions in the domestic money, bond and foreign exchange markets. The department has extensive contact with market players in Norway and abroad and performs analyses of the various markets and of Norwegian monetary and exchange rate policy. The department is also responsible for settlement, accounting and reporting procedures for its own transactions and for transactions executed by Norges Bank Investment Management as part of the management of the Government Petroleum Fund and Norges Bank's foreign exchange reserves. The department has two vacancies for:

Settlement Officers, Equities

As a consequence of Norges Bank Investment Management's plans to increase the breadth of the management of the Government Petroleum Fund, the Market Operations Department's Settlement and Accounts Section wishes to fill two permanent positions for Settlement Officers.

Responsibilities will be primarily associated with the settlement of Norges Bank Investment Management's trading in international equities and equity futures. The new Settlement Officers will also play a key part in the work of developing a centre of expertise in this field. There may also be tasks relating to settlement of transactions in international and Norwegian bonds and derivatives. The positions will involve extensive contact with correspondent and custodian banks abroad, with the settlement function of Norges Bank's counterparties, and with the management sections of Norges Bank Investment Management and the Market Operations Department.

Both positions will be at a senior level, and applicants should have a university degree or the equivalent in economics and/or business administration. Emphasis will be placed on relevant experience. In particular, emphasis will be placed on a sound knowledge of settlement and control of transactions in various types of financial instruments, primarily equity instruments, and knowledge of international securities settlement systems and payment systems, including SWIFT. Proficiency in English and Norwegian as well as a sound knowledge of IT will be required. The successful applicants must be capable of working independently and have a high capacity for work. Further information about the positions can be obtained from Mr Carl Jacob Vogt, Assistant Director, tel. +47 22 31 45 22, or Mr Thor Kristiansen, Assistant Head of Division, tel. +47 22 31 69 29.

Applications, including CV, copies of certificates and references, should be sent to Norges Bank, Market Operations Department, P.O. Box 1179 Sentrum, 0107 OSLO, by 25 September 1998.

NORGES BANK



FINANCIAL TIMES



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To continue this growth, we are developing our project/infrastructure financing activities, and will offer one-stop, comprehensive service for public-sector infrastructure projects throughout Europe. We are now establishing a new section for project/infrastructure finance, along with our international credit department in Dublin, and are seeking experienced financial professionals.

Credit Manager - Project/Infrastructure Finance

Assisted by a small team of senior credit officers, and working closely with our customers, the group headquarters in Wiesbaden and the rest of the Dublin credit department, you will establish and manage this new section, assuming full responsibility for its running. This Dublin based position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in managing and motivating finance professionals.

Senior Credit Officers - Project/Infrastructure Finance

These Dublin based specialists will analyse incoming proposals, recommend credit solutions, prepare opinion and decision papers for the credit committee, monitor contract performance, and fulfil credit-reporting requirements. You should have at least 3 years of solid credit experience, including public-sector project or infrastructure financing.

Senior Credit Officer - Risk Management

We are establishing a related activity at our group headquarters in Wiesbaden (near Frankfurt). Assisted by a small team of analysts, and working closely with the new project/infrastructure finance section in Dublin, you will assume responsibility for risk management in public sector finance, providing an independent opinion on financing proposals and closely monitoring our overall portfolio to control risk. This position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in leading financial professionals. Fluency in written and spoken English is essential; fluency in German would be a distinct advantage.

For all positions you must have a strong desire to work together with other financial professionals in an international team.

In addition to an exceptional challenge, we offer an attractive remuneration package as well as a world of opportunity in an expanding, international financial institution.

Please send your c.v., in confidence to:

For the Dublin positions: Dermot Cahillane, DePfa-Bank Europe plc, International House, 3 Harbourmaster Place, I.F.S.C. Dublin 1, Ireland

For the Wiesbaden position: Marita Schmitt, DePfa-Bank Group Paulinenstr.15 D-65189 Wiesbaden, Germany

For more information, visit our website at www.depfabank.com

At DePfa-Bank Group, we value diversity in our products and in our people.



Vice President Derivatives Marketing

London

Our client, a major European investment bank providing the full range of financial services globally, has an opportunity for an experienced professional to join its successful derivatives marketing team.

With an in-depth knowledge of emerging market debt products and associated derivative instruments, you must have a proven track record in structuring a wide range of derivative products, including equity and fixed income derivatives, and marketing these to corporate clients. In addition, you will need to have worked on large project and corporate finance, as well as on leasing and tax driven transactions.

SFA registered with a post-graduate degree (MBA) in finance and fluent in English and French, you will also ideally be a Chartered Financial Analyst. Solid experience of programming languages relevant to the trading floor, e.g. Visual Basic, together with a high degree of technical and product knowledge and strong modelling skills are essential.

Please write in confidence, enclosing a full CV and details of current remuneration, to Geoff Selby, Ref. GR/711, Roose and Partners Advertising Limited, 100 Gray's Inn Road, London WC1X 8AU. Fax: 0171-831 8761. Please list separately any companies to which your application should not be sent. The closing date for receipt of applications is 30th September, 1998.



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Pricing Analyst

City

Excellent

Our client is an integrated money and securities broking group, providing a major source of information to financial markets and information providers. Its strong market presence is based on product innovation and a commitment to embracing technology to develop the electronic markets of the future. Its broking capacity extends through 27 of the world's financial centres, covering FX, Money Market deposits and derivatives and government and corporate bonds.

With European issues becoming increasingly significant, our client has expanded its product coverage in preparation for the Euro. Other expansion has included operations in Mexico, South Africa, India and the Czech Republic. The group has increased its use of screen based price discovery and arbitrage systems, leading the way in developing new opportunities.

An exciting opportunity exists for someone to join the Information Services Team as a pricing analyst based in the front office. This will involve the development of technical tools to deliver

front office solutions to dealing floor staff, working closely to understand their technical requirements and aiding in the delivery and support of new products. This position requires a good understanding of the financial markets and the products traded, with an understanding of the mathematical formulae involved.

All applicants must meet the following requirements:

- A minimum 2.1 degree in a numerate subject.
- At least 3 years' banking experience.
- In depth knowledge of traded products.

Able to demonstrate excellent IT skills, you are likely to have gained your product knowledge from either a support or front office role within an investment bank.

The successful candidate will be rewarded with an excellent remuneration package and the opportunity to contribute directly to the success of the business.

Applicants should forward a CV, in strict confidence, to Julian Usher or Simon Hegarty at Walker Hamill Executive Selection quoting reference JU4580. Alternatively, immediate enquiries may be made to Julian Usher on 0171 839 4444, or via e-mail: jusher@walker-hamill.co.uk

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EUROPEAN EQUITY ANALYST

London

At Fidelity Investments, the world's largest independent investment management organisation, we serve over 12 million retail and institutional investors. Managing over US \$750 billion* assets worldwide, much of our success is due to the creative, innovative and exceptional customer service provided by the people we employ. As part of our London based European Research team, supporting our international offices, this entry level position within the investment process has the potential to develop towards a fund management career. You will mainly be involved in carrying out fundamental and technical

Excellent Salary and Benefits

research into European equities. Based on detailed analysis of corporate financial statements of listed companies, you will make investment recommendations, communicating with fund managers in London and Boston. You will of course travel to the countries you are responsible for. You will have three years' experience in investment management, researching international equities and providing recommendations. Highly academic, you'll need an MSc from a leading institution, ideally accounting or finance, along with excellent written and verbal presentation skills.



This is an exciting position with plenty of opportunity to progress your career. To apply, please send your CV indicating current salary details to Andrea Peck, Fidelity Investment Services Limited, 25 Lovat Lane, London EC3R 8LL. Fax: 0171 975 4844.

*Assets as at 30/06/98 include those of FMR Corp., a US Company and affiliate and its subsidiaries, owned by Fidelity Investment Management Ltd. (C04423)

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Financial Times

PRESTIGIOUS COMPANY OPERATING IN THE NATIONAL AND INTERNATIONAL TELECOMMUNICATIONS MARKET is looking for the following professional profile:

INTERNATIONAL TELEPHONE TRAFFIC ANALYST Ref. SI/F99754

The position involves the analysis of the natural traffic trend, of the impacts of macroeconomics, as well as of the Competitors' Marketing strategies.

The ideal candidate would be a graduate in Engineering, Statistics or Mathematics.

A two-year experience in the International voice market - preferably with leading operators within the industry - is required. Being an expert in all activities within the business, including those related to the Carrier's Carrier market, is a pre-requisite.

We require an independent determined professional with fluent English. Job location: ROME (Italy).

Every aspect of the recruitment process will be directly dealt with by our Client, therefore, those who do not wish to be put in contact with specific companies ought accordingly state it in their reply to this advertisement, by writing "Private & Confidential" on the envelope.

The Curriculum Vitae of the applicants (complete with authorisation of personal data protection, according to Italian law 675/96) bearing the reference number, both on the letter and on the envelope, relating to the specific position of interest, should be sent "preferably" through guaranteed delivery to:

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BBC

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The Corporate Strategy team is strengthening its resources as the BBC responds to increasing competition in this rapidly changing environment. You would be part of a high calibre strategy team providing advice to the BBC's senior management on major strategic and performance issues.

Analyst

Our team of analysts plays a vital role in ensuring the BBC understands market and technological developments and keeps ahead of the game in industry knowledge.

At this level, you will have strong academic qualifications, good qualitative and modelling skills and at least two years' experience of business research and analysis within a professional service, corporate or public sector environment.

You will be able to demonstrate a strong interest in the media sector; the ability to work to tight deadlines; strong interpersonal skills and the ability to present information in a clear and coherent way.

A strong interest in, and/or experience of digital broadcasting and new media is essential.

For further details, please contact BBC Recruitment Services (quoting ref. 29365/F). To apply, please send your CV to BBC Recruitment Services quoting ref. by September 28th on 0181-740 0005, Mincin 0181-225 9878. Alternatively, send a postcard to BBC Recruitment Services, PO Box 7000, London W12 8GN, or e-mail recserv@bbc.co.uk quoting ref. 29365/F and giving your full name and address. Application forms to be returned by October 1st.

You can also see this vacancy on <http://www.bbc.co.uk/jobs/> c29365.html and apply online from our world wide web site.



Working for equality of opportunity

Sub-editor

Enskilda Securities is a leading specialist European investment bank with offices across the Nordic region and in London, Paris, New York and Frankfurt. As part of our commitment to the highest editorial standards in equities research, we are looking to appoint a sub-editor to join our expanding team. Based in London, the role involves editing reports written by our investment analysts.

You are likely to be a graduate with a background in financial editing, gained either in a financial services or publishing environment. You will be familiar with the principles of accountancy and company analysis, the workings of equities markets and have an understanding of macroeconomics. A meticulous approach, confidence under pressure and strong communication skills are essential qualities. Experience of Windows NT would be an advantage.

The post commands a competitive salary together with a wide range of corporate benefits and offers excellent career opportunities.

Interested candidates should send CVs to Judy Elmes, Personnel Manager, Enskilda Securities, 2 Cannon Street, London EC4M 6XX.

Enskilda Securities
A unit of Skandinaviska Enskilda Banken

SENIOR MARKETING MANAGER AFRICA

Private West End based Bank seeks Senior Banker with extensive experience in Africa including Nigeria.

Must possess good Credit skills, Trade Finance background and general knowledge of Banking. Required to travel.

Salary commensurate with experience, usual Banking Benefits.

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Top Opportunity in Equity Derivative / Bond / Equity Sales

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We are looking for high-achieving individuals or teams to set up or expand one of the following units:

- Convertible bonds / Warrants / Equity / Options
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Applicants must have successful bonds or equity or broking experience.

If you feel you can achieve in an entrepreneurial set up where you have no restriction on product or client coverage, we would like to hear from you. We can offer outstanding performance based package (salary + commission + profit sharing...) and a very flexible work environment.

Please send your resume or call confidentially: Oliver R. Froment, Managing Director, Pro Capital Ltd., 9th Floor, St Alphege House, 2 Finsbury Square, London EC2Y 5DA, UK

Telephone: (44 171) 528 2119 Fax: (44 171) 528 0670

MORGES BANK

ACCOUNTANCY APPOINTMENTS

Open to change, hungry to learn?

Explore European career opportunities

Open Days: 14 & 15 November, Brussels

The highest market value industrial company in the world, GE operates in 12 key businesses as diverse as manufacturing, media and financial services. AAA-rated and founded on the basic principles of value, service and productivity, 1997 revenues were up 13% to \$90 billion and operating margins exceeded 13% for the first time in the company's 120-year history.

Continuing growth, achieved organically and by acquisition, provides exceptional opportunities for both finance and business professionals. GE is holding two open days to enable candidates to meet some of the company's European business leaders and hear about a range of challenging international roles.

Change Management/Quality

One of the drivers of GE's impressive growth is its Quality initiative. Under the banner of "Six Sigma," GE is seeking to achieve a level of performance close to perfection in every part of every GE business. A massive investment in time, money, leadership and talent - \$450 million on training alone in 1998 - the returns are enormous. From a standing start three years ago, projects will have generated benefits of \$2 billion

by the end of this year and continue to provide opportunities for share growth, higher margins and improved products and services.

Success in these projects opens up exceptional opportunities. Project Leaders with demonstrated achievements in Six Sigma have become highly sought-after candidates for senior leadership roles within GE.

Projects cover all GE products and services, demanding a range of experience which can include change management, project leadership, process improvement or re-engineering skills. Candidates must have 2-8 years' experience in a major international company or professional practice and the ability to lead change and inspire others to achieve excellence.

Finance

GE's outstanding performance demands individuals who combine superb finance skills with high levels of energy, enthusiasm and integrity. Throughout Europe, GE businesses require finance professionals at a range of levels who have the ability to lead and energise others and to drive change in an open and dynamic culture.

Working cross-functionally, roles include Quality and Marketing Finance, Controllingship, Financial Planning and Analysis, Taxation and support for GE's acquisitions and integrations throughout Europe. These roles provide the opportunity for fast-track progression throughout GE for talented candidates with the potential and confidence to move into senior finance positions.

Between 2-8 years' finance experience in an international environment, a record of academic and career achievement and a real passion for excellence are all critical to success.

If you would like to attend an open day or find out more please write to the address below, enclosing a copy of your CV and current salary details, quoting ref: 302 to: Alderwick Consulting Ltd, 35 Fetter Lane, London EC4A 3ER. Fax: (+44) 171 242 3560. For more information call them on (+44) 171 242 9191 (weekdays) or (+44) 966 119056 or (+44) 1732 811249 (evenings and weekends). Any application sent direct to GE will be forwarded to Alderwick Consulting Ltd.



USA

GE

GE is an equal opportunity employer.
Not associated with the English company of the same name.

FINANCIAL TIMES

No FT, no comment.

NEWLY QUALIFIED ACCOUNTANTS

CENTRAL LONDON

The Financial Times Group sets the standard as the international business community's authoritative source of global business news and analysis. Part of Pearson plc, which includes Pearson TV, Penguin Group and the Tussauds Group, the FT Group has a turnover in excess of £600m. With the continued growth of the FT brand into new territories and media, this is an organisation that provides individuals with the opportunity to reach their full potential.

As a result of future growth plans, the need has now arisen to recruit a high calibre Chartered Accountant.

Reporting directly to the Financial Controller the requirement is for a finance

professional who has that rare mix of commercial awareness and technical ability to work alongside specific business teams. The right person will profit from exposure to a multinational commercial environment and hands-on experience.

The opportunity is to join a fast-track programme, giving exposure to a number of different roles in a variety of businesses within the Group.

The successful candidate will be a qualified accountant with no more than two years' post qualification experience.

You will be a strong communicator driven by results, with exceptional leadership skills

HIGHLY COMPETITIVE PACKAGES

and the ability to influence and support colleagues towards achieving business objectives.

If you seek to advance your career in a world class organisation, please send your Curriculum Vitae stating current remuneration to Kacey Young or James Bacon at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 8867. Fax: 0171 915 8714.

Email: kacey.young@robertwalters.com or james.bacon@robertwalters.com

Web: <http://www.robertwalters.com>

You may also apply via http://taps.com/Robert_Walters quoting reference RW182.



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LEISURE PROPERTY PLC
DYNAMIC MARKET LEADER

WEST END

£ EXCELLENT

1998 promises to be the most profitable year to date for the undisputed leader in the leisure property market. Having made a firm commitment to sustainable business growth, the organisation is looking to recruit senior finance professionals with extensive experience in the property development sector.

DEVELOPMENT ACCOUNTANT

Critical to the success of this high profile role will be the ability to work closely with UK and European development surveys, obtaining pertinent information and portraying it in a relevant manner. As part of the senior management team, the individual will have the opportunity to make an immediate and considerable impact on the future direction of the business. Key responsibilities will include:

- full cash flow and balance sheet forecasting on a three year rolling basis
- attendance at weekly development meetings
- European and development cash flows and subsequent effects on taxation
- reviewing loan interest and associated costs
- maturing lease and rental positions to assess maximum bank borrowing
- assessing development costs to date against forecast and budget

Working hand in glove with the group finance director, the candidate will combine a pragmatic approach to problem solving with a desire to expand the boundaries of the role. Well developed IT and modelling skills will ensure the success of current and future development projects. The ideal candidate will be a qualified accountant with at least three years' post qualification experience in a commercial or financial services environment.

These are outstanding opportunities for high calibre professionals seeking to make a senior level contribution to the direction of the ambitious market leading PLC. Interested applicants should send their Curriculum Vitae to Matt Foster at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 6931. Fax: 0171 915 8714. Email: matthew.foster@robertwalters.com Web: <http://www.robertwalters.com> You may also apply via http://taps.com/Robert_Walters quoting reference RW183.



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McKinsey & Company – Energy Sector Professionals

Oil and Gas Consultancy

McKinsey & Company is recognised as the leader in the field of management consultancy. With 75 offices in 38 countries they offer advice on strategic, organisational and operational issues to leaders of many of the world's pre-eminent companies. Over 4400 McKinsey consultants help make lasting and substantial improvements to clients' business performance. The continuing success of McKinsey's European Energy Practice has created the need to strengthen the firm's group of oil and gas consultants. Specifically, there are now openings for experienced industry professionals to join the teams focusing on the following sectors:

London or Oslo

Downstream

- With in depth knowledge of:
- Refinery and supply scheduling and optimisation
- LP modelling
- Trading analysis crude or finished product
- Long term refinery planning
- Operations and maintenance

Upstream

- With in depth knowledge of:
- Exploration strategy and formulation
- Portfolio management and/or commercial evaluation
- Production operations
- Asset management

Natural Gas

- Strategic understanding of the European market, with commercial skills in:
- Marketing
- Trading
- Risk management
- Gas systems development

Packages to attract the best

You will work with some of the biggest names in the energy business in Europe and the Middle East, helping to generate innovative solutions that will set new benchmarks for best practice. Much of your time will be spent working directly with clients in multi-disciplinary teams, but you will also add to McKinsey's own research effort, enhancing the Firm's knowledge base and insight into issues of critical importance to clients.

Successful candidates will show exceptional academic and professional achievement and now want to broaden their influence. Aged 28-35, you will probably have no less than 5 years' experience and be able to demonstrate distinctive leadership accomplishments within an oil or gas major or in an advisory or research role. Your track record will clearly demonstrate pre-eminence and a proven ability to develop commercial insights in your field of expertise. Commercially aware, ideally formalised with an MBA, you will also have first class interpersonal and communication skills. These significant career opportunities offer highly attractive salaries and a wide range of benefits.

Interested candidates should write with full CV, quoting current rewards package to Richard Roberts, Energy & Utilities Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AT, Tel: 0171 970 9600, Fax: 0171 936 3974, quoting ref: LRR/18817/FT and the appropriate job title.

Finance Director

An Executive Role in a Major Business Re-engineering

N. Hampshire

Our client is a key member of a leading global finance services group. Due to promotion, they now require a high calibre Finance Director to manage the company's financial activities and to play a major role in a significant business re-engineering project. Working closely with the Managing Director and the Executive and leading a large finance team, the main responsibilities of the role will include:

- Management of all aspects of financial control, including costs, tax and treasury risks and the provision of financial information to the business.
- As part of the Executive team, driving and delivering a programme to re-engineer the business processes and structure, to improve customer service, increase productivity and reduce costs.
- Shaping the culture of the company to one which is more customer focused, challenging and inspiring for its employees.
- Designing and implementing a risk adjusted pricing system.
- Steering the work to ensure competitive Euro capability.

In excess of £80,000 Basic + Package

- Playing a key role in the development of the company's data warehousing and analysis capability.
- Setting the direction for operational risk management of the company.

This is a business role, not an accounting role. It is out-facing and customer focused, requiring a professional who has commercial insight and is naturally a lateral thinker. Strong leadership and team skills are essential, as is the ability to manage change and inspire and influence those not always under their direct control.

Candidates are invited from any sector, but will be qualified accountants who have experience of working in large blue-chip organisations. For the right candidate the prospects are exceptional.

Interested candidates should send their CV to Sarah Hunt at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 3426 or you can telephone her on 0171 269 1846. Please quote reference 451344. e-mail: sarah.hunt@michaelpage.com or www.michaelpage.com

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Group Finance Director (with strong commercial skills)

Based Leeds area

£neg + car + benefits

The Company

Lambson Group is a privately owned, long established company with its core activity centred in the chemical industry. The business is currently undergoing rapid change to meet the challenge of both leading edge technology and traditional products with a customer base UK and overseas. There are substantial opportunities for growth.

The Role

Reporting directly to the Group MD, the role carries shared responsibilities for development and delivery of business strategy as part of the management team. Specific responsibilities include developing strong relationships with key trading partners, banks and financial houses and auditors and legal advisers. As head of the finance and IT team you are responsible for statutory and management accounting, taxation, monthly reporting, budgets and forecasts as well as systems development.

The Individual

A proven track record as a business person, high calibre accountant and considerable experience in industry and commerce. Experience of commercial negotiation and a working knowledge of contract law will be necessary along with a recognised accountancy qualification. Personal qualities should include enthusiasm, commitment and a team player who can generate new ideas.

If you think you can meet our demanding requirements then apply in writing with your full CV and current remuneration package to reach us not later than Friday 2nd October.

The Chairman
The Lambson Group Ltd
103-105 Station Parade
Harrrogate
North Yorkshire
HG1 1TB

HEAD OF INTERNAL AUDIT

MAJOR FINANCIAL SERVICES GROUP

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• Household name in Financial Services, part of major international group. Multi-divisional with many innovative products/services. Recent growth has been accelerated by acquisition.

• Internal Audit is a key function which now seeks to add greater value to the operation in a highly proactive, consultative, yet firm style. Financial, operational and computer audit dimensions are relevant.

• A Departmental Head is now needed to manage and develop the audit function.

• Of graduate calibre, you will be professionally qualified with at least five years audit experience three of which should be in a management capacity.

• Financial Services sector experience will be of considerable value, with previous international experience an asset.

• Excellent communication capabilities, leadership skills, energy and proactivity will be important. Absolute integrity, focus and professionalism are vital. This is a significant opportunity to develop a career within a major group.

Please apply in writing quoting reference 1699 with full career and salary details to:
Alan Mumby
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Total accountability... for finance, treasury, IT, logistics, distribution, sales administration and Secretarial functions. Lead and direct team of seven professionals. Liaise extensively with continental European manufacturers who supply direct to UK accounts. Key member of small executive team. Frequent contact with group finance departments in Barcelona, Paris and Cologne.

Qualified, commercially astute... graduate calibre accountant keen to progress quickly to Board level. Understanding required of business dynamics associated with sophisticated, international logistics, incorporating EDI. Team building and good relationship development skills as important as flair for innovation. Understanding of premium retail products and/or ability to speak French/Spanish helpful. First class interpersonal, communication and presentation skills mandatory.

Please apply by
sending your CV
quoting reference
R98243 and stating
current salary

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INTEGRATED RESOURCING SOLUTIONS

Hays Information Management

Hays plc is a group of over 70 companies providing business-to-business services 24 hours a day to industrial, commercial and professional customers under the three core activities Distribution, Commercial and Personnel services. The Group employs more than 17,000 people at over 700 locations around the world.

Hays Information Management is the recognised UK market leader in Archive Storage and Records Management in Europe. Core services include Secure offsite hard copy storage, through to fully computerised online data retrieval systems. HIM provides services to customers in the Commercial, Energy, Public, Healthcare and Magnetic Media sectors.

Hays Information Management's 950 personnel are employed throughout the UK, Germany, Belgium, the Netherlands, Norway and the US. The business operates out of over 40 sites, housing some 41 million cubic feet of storage and servicing nearly 4,500 customers.

European Finance Manager

Pan European role

Brussels

c£50-£70,000

The Role

You will work closely with and develop further the existing HIM finance teams in Belgium, Germany and the Netherlands, in order to implement financial controls and continue the development of management reporting and statutory budget systems. Reporting to the Finance Director and indirectly to the European Managing Director, an important additional element to your role will be to assist the European Business Development Director in identifying acquisition opportunities to continue the impressive growth of this division.

With a brief to be visible and to make a commercial contribution at each of the European sites, your responsibilities extend well beyond the traditional finance manager role. Success across these key areas will result in further recognition at an early stage.

The Candidate

- A team-player with strong commercial acumen
- A 'can-do, will do' work ethic
- 3-5 years post qualification experience
- A degree of fluency in Dutch, German, French and English is desirable
- A successful financial track record in business-to-business services in Europe and ideally in Belgium and Germany

Interested applicants should apply in writing to our recruitment advisor, Ken de Boer at Hays International, 141 Moorfields, London, EC2M 6TX, United Kingdom. Alternatively please fax your cv to +44 (0)171 288 2329 or e-mail to ken@hays-international.co.uk



Hays International

Hays

Finance Manager Investment Administration

Home Counties • to £50,000 + package

Leading US bank with expanding presence in the UK and Europe. Operating in the fields of treasury, investment administration and custody services, this organisation has undergone considerable growth, both organically and by acquisition. A commitment to high standards of client service and investment in new technology are part of an exciting and challenging strategy which has already led to business exceeding forecasted growth. In order to maintain these levels of success, a career-minded finance manager is required to join its fund administration business.

The Role:

- Lead, motivate and develop a team responsible for the pricing and valuation of all funds and trusts.
- Co-ordinate and build relationships with clients, as well as professional advisers and other departments within the organisation.
- Create an environment of control and quality, ensuring work is accurate and timely.

The Candidate:

- Graduate calibre qualified accountant with proven staff management ability, ideally with unit trust experience.
- Minimum of 5-10 years' financial accounting/management experience in a forward-thinking financial services organisation is essential.
- IT development, interpersonal and organisational skills must be upper quartile.

Please write in confidence, with full career and current salary details, quoting reference SJW/2863.

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A DIVISION OF ODGERS INTERNATIONAL

Head of Audit

Hampshire • to £70,000 + package

Worldclass organisation at the forefront of the automotive industry with an excellent reputation for product performance, innovative design, and customer satisfaction. Its wholly owned Financial Services business was established in the UK two years ago and has grown rapidly to provide a comprehensive range of products. With ambitious growth plans, the company has embarked on a series of operational and strategic initiatives with Internal Audit playing an influential and increasingly proactive role. Reporting to the CEO, this is a high profile role offering excellent prospects.

The Role:

- Lead, develop and motivate a small team responsible for ensuring that operational systems and procedures meet the highest standards.
- Develop recommendations to improve control, enhance operational performance and generate efficiencies.
- Provide assistance on special projects, involving liaison with both group and operational Directors.

The Candidate:

- Graduate qualified accountant with 5-10 years' PQE. Ideally with senior level audit experience and a track record of working on diverse projects to enhance business performance.
- Financial Services experience is preferred as well as an additional European language.
- Sound commercial acumen, strong technical ability and outstanding communication skills are essential.

Please write in confidence, with full career and current salary details, quoting reference SJW/2849.

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To £65,000 plus
bonus & benefits

Head of Corporate Finance

New high profile role supporting the board of this market-leading media business continuing its major acquisition programme under its new owners Clear Channel Communications Inc., an S&P 500 quoted group and a leading global diversified media and outdoor advertising company. Stretching remit to provide financial and legal support to the CFO, focusing on Europe and Asia/Pacific, with real scope for progression to a senior line role in the medium term.

THE ROLE

- Supporting the CFO of More Group in all aspects of acquisition transactions to implement a progressive strategy and achieve leadership in the Group's chosen markets.
- Participating in negotiations with principals and financial advisors. Co-ordinating accounting, tax and legal due diligence exercises and liaising extensively with Clear Channel.
- Managing the Group investment appraisal programme, working with corporate and local line management providing analyses to optimise asset allocation.

THE QUALIFICATIONS

- Assertive graduate ACA/IMA with a distinguished functional track record in cross-border European corporate finance/M&A from the City, a corporate or the profession. A second European language highly advantageous.
- Diligent, hard-working and committed self-starter with first-class communication and analytical skills. PC literate.
- Ambition to work at board level with the style, gravitas and polish to grow both professionally and personally in the role and engender confidence, internally and externally.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 6700

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Spencer Stuart

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15 Connaught Place,
London W2 2ED

Head of Group Internal Audit

London Based

c£90k, negotiable, + executive benefits package

We are a FTSE 100 plc and a member of the global AXA Group, one of the world's largest insurance and asset management groups.

Quoted two years ago, we are already fourth in the UK life assurance league, and have a growing position in general insurance; this forms the foundation for ambitious growth plans. We intend to grow by giving freedom to the talent we employ and, in this new role, we seek a professional with a track record of thinking 'outside the box'.

We take it for granted that you already have an effortless command of audit and the introduction of risk assessment and management techniques.

You will be an individual who has worked beyond this, who has experience of the proactive role which audit can play in empowerment in the financial service industries, and who can demonstrate real achievements in implementing the structures needed to combine empowerment with control.

You will certainly have been at the centre of mergers and acquisitions; you will certainly have an understanding of brand power, and you could well have gained this in international banking or investment.

You will have distinctive persuasive and influencing skills, and be used to preparing strong cases for change, inspiring those around you to achieve ambitious objectives.

You will be able to demonstrate the use of these skills in ensuring the acceptance of tough audit recommendations.

Probably already thinking of joining a group with truly global opportunities you'll have an absolute intention of achieving the dominant position in that group's chosen field.

Put your thoughts into reality and, if you believe you have the skills, energy and vision to deliver, write with your current CV and salary details to Phil Judkins, Sun Life and Provincial Holdings, 107 Cheapside, London EC2V 6DU.



SUN LIFE AND PROVINCIAL HOLDINGS PLC

ASSISTANT TREASURER

Six Figure Package

West London

The most senior treasury role within the Europe, Middle East and African region of the world's largest and most respected multinational corporation.

The Position

- Core responsibility to create deal-winning, trade, export and project finance strategies for capital equipment and consumer goods.
- Manage team advising European businesses on effective foreign exchange management.
- Coordinate initiatives among business level Treasurers through leadership of European Treasury Council.
- Report directly to GE Group Treasurer in United States.

Qualifications

- Minimum eight years' trade and export finance experience, closing short and long term deals, with a leading bank or blue chip industrial group.
- Thorough knowledge of bank and ECA facilities for the Middle East and Eastern Europe.
- Broad financial management experience, understanding of treasury operations and foreign exchange.
- Commercially astute, technically excellent graduate, ideally with professional qualification or MBA.

Please write, in confidence, with a full c.v. to Criterion Search, 50 Regent Street, London W1R 6LP, U.K. quoting ref: 3634. Tel: 0171 470 7108. Fax: 0171 470 7171. Email: mail@critterionsearch.co.uk

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As the UK subsidiary of a \$3bn rapidly growing International Group, Fresenius is recognised as a leading supplier of Clinical Nutrition and Drug Administration systems. They also have a proven record in the provision of contracted packages of High Tech care for patients at home, being one of the UK's leading companies in this field.

This newly created post, reporting to the Homecare Director, will allow the incumbent to determine strategy and contribute to business planning by providing an effective platform of financial management procedures. Delivering profitability through financial controls, you will provide accurate and timely financial information to both the UK and Group Finance teams, plan and control budgets, maximise

cashflow and conduct audits and policy compliance.

A qualified and competent accountant, the ideal candidate will apply strong financial discipline to business decisions and have the breadth of experience to contribute to a broad range of commercial issues including tender preparations. A team player, you should demonstrate strong communication skills and have the enthusiasm and drive to operate in a thriving entrepreneurial culture. Well developed IT skills will enable you to contribute to the project team responsible for the evaluation and implementation of a pan European operating system. Working knowledge of the NHS could be beneficial.

To apply please send full career details to ANDREW EVANS, quoting ref: E406/S, at The Recruitment Management Group, The Maltings, 98 Wilderspool Causeway, Warrington, Cheshire WA4 6PU. Fax: 01925 650088. Email: recruit@rmg-cybase.co.uk or telephone 01925 655222 for an initial discussion.



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FINANCE DIRECTOR

VENTURE CAPITAL BACKED GLOBAL SOFTWARE/SERVICES BUSINESS

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Following a 1994 management buy-out from London Business School, Monis Software has emerged as the global leader in mid-range analytic systems for the derivatives industry. It has secured long term supply/service contracts with more than 500 leading financial institutions throughout the world, with permanent staff of over 50 in London and New York.

The company is backed by Kenner Capital, a joint venture between Broadview and Etema Fleming. It plans major expansion both organically and through acquisition, with a view to a flotation in the medium term.

Early priorities for its first Finance Director will be to introduce new accounting systems in the UK and US, develop and build the finance function, and actively support business decision-making, including contract evaluation and negotiation. Involvement in M&A will be an essential part of the role.

Qualified accountant with a good university degree, who has broad financial and commercial management experience, preferably including at least one business start-up in the IT sector. An outline understanding of banking/treasury products will be necessary, as will knowledge of US GAAP and taxation.

Personal qualities will include a strong intellect, entrepreneurial flair, exceptional levels of energy and resilience, and credibility in the eyes of the investors. The successful candidate must have a preference for an informal, hands on, highly committed working environment.

This is an excellent opportunity for an ambitious team player to join a young, rapidly expanding niche business in a high growth area. It offers scope for considerable personal development.



Please apply in writing quoting reference 1716 with full career and salary details to:
Nigel Bates
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2081. Fax: 0171 290 2138
www.whiteheadselection.co.uk

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European Financial Controller

Home Counties - To £55,000 plus bonus and benefits

Our client is a multi-national FMCG organisation which markets and distributes a range of well known consumer products. Turnover for the European region is circa £250m and the vision is to grow it rapidly by acquisitions and new product development. Our client now wishes to strengthen its European senior management team by recruiting a Financial Controller.

Reporting to the Finance Director of the European region, you will be responsible for consolidating monthly and statutory reporting; assisting with the budgetary process and preparing pertinent management information for the European management team. An initial key requirement will be to conduct a risk management and process improvement review of the financial control systems and procedures.

You will be a qualified Accountant with a minimum of five years' post qualification experience, gained ideally in the manufacturing or distribution sectors. You will need to demonstrate technical excellence in financial controls, systems

and commercial risk assessment with proven success in the management of a finance function. You should exhibit excellent communication and relationship management skills together with the drive and enthusiasm to succeed in a dynamic and high growth business.

In return you will be provided with genuine opportunities to develop your career with this organisation in the UK or world-wide.

Please send your CV together with an explanation of how you believe you meet the criteria for this position and current salary details to Myra Gandhi, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH, quoting reference PM282. Fax 0171 931 1022 or e-mail: mgandhi@cc.ernst-y.com

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Prospects

Our client (t/c £50m) manufactures consumer durables sold through retail outlets on an international basis. This business has a reputation for quality and the combination of innovative product development and advanced manufacturing systems ensures that customers are provided with cost effective solutions.

The Role

- Provide strong commercial input on a range of strategic and operational issues and play a significant part in driving profitable growth
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The Candidate

- A qualified Chartered Accountant with a minimum of five years PQE gained within either a manufacturing environment or the profession
- Proven commercial acumen founded on sound technical skills and ambitious for personal and professional development
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This commercial role gives the potential for future general management responsibilities within a dynamic business with envisaged equity participation.

To apply, please write with a full CV, details of current salary and quoting ref no. 4091FT to, BRM Nevard Roland, 8-10 Whitechapel Road, Clifton, Bristol BS8 1PD. Alternatively send by fax on 0117 904 9367 or e-mail: wizard@nevard-roland.co.uk

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To be successful in either of these roles, you'll have the initiative and drive to create new processes and systems and challenge assumptions. Outstanding teamworking, communication and influencing skills will be essential. Equally important will be your quality focus and ability to take pragmatic decisions to meet business needs.

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Whitehead Selection

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Finance Director

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An opportunity exists within this fast growing, high profile business owning some of the finest restaurants in the UK.

Following recent impressive acquisitions and strong organic growth, the expansion of this dynamic public quoted restaurant group is set to continue. The focus for the business is to rapidly develop their prestigious brand in the UK and USA.

The main responsibilities will include:

- Influencing the strategic direction of the group at board level.
- Maintaining and developing high quality accounting systems.
- Co-ordinating and integrating new businesses and recent acquisitions.
- Maintaining strong investor relations.
- Monitoring and ensuring efficient capital investment.

- Proactively managing the group's taxation position.

The ideal candidate will be a professionally qualified accountant with a strong technical background and proven experience, as a number one or two in finance, gained in a commercial environment (preferably a PLC).

Key to this position is the individual's entrepreneurial spirit and ability to operate in a high growth, multi-site, cash-based business. You will have excellent staff and IT management skills. Outstanding opportunities exist for the right candidate.

Interested candidates should send a full CV to Nigel Barcham CPA or Gary Watson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax 0171 831 2612. e-mail: nigelbarcham@michaelpage.com www.michaelpage.com

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Interested applicants should forward their CV including current remuneration and daytime telephone number to Keith Mackenzie at Michael Page Finance, Europa House, Church Street, Old Islington, Middlesex TW7 6DA, or fax 0181 847 5703. Please quote reference 452466. e-mail: keithmackenzie@michaelpage.com www.michaelpage.com

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- The provision of financial and commercial consultancy to the board.
- Developing and presenting contractual terms with all group clients and suppliers to ensure competitive terms.
- Ongoing development of the Organisation's financial Management Information System.

Suitable candidates will be qualified accountants, with a proven record of adding value to businesses from both a financial and commercial perspective, preferably within a service led environment.

The individuals interpersonal skills are key, dynamism and ambition are essential coupled with a strong empathy for creative people environments.

Interested candidates should forward their CV's including current remuneration details, quoting reference 451937 to Alistair Robinson, Michael Page Finance, Cygnet House, Leatherhead, Surrey KT22 8AG or email: alistairrobinson@michaelpage.com

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FINANCE

GROUP FINANCIAL CONTROLLER FINANCIAL ANALYST

INTERNATIONAL CAREER OPPORTUNITIES

The Company: Our client, Euronet Services Inc., is a US registered, NASDAQ listed company operating the only independent, non-bank owned automatic teller machine (ATM) network in Europe. To respond to rapid growth and projected expansion they are seeking dynamic individuals with excellent communication and technical skills for the following positions:

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FINANCIAL ANALYST (Ref: FT9817A)

The Role: Reporting to the Senior Analyst and Treasurer, your main responsibilities will include:

- financial modelling
- forecasting and budgeting
- treasury analysis
- investment and due diligence reporting
- various management reports

The Person: Possessing a minimum degree in business, accounting or finance and 3 years' experience in an analytical or related position, you will have the ability to work independently in a dynamic environment. Proficient in the use of Excel spreadsheets, you will ideally have experience working with databases and accounting packages.

Please forward your resume with cover letter quoting the appropriate reference number. Applications will be treated in the strictest confidence. Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN, England. Tel: + 44 (0) 171 637 2001. Fax: + 44 (0) 171 637 0949. e-mail: cv@antal-int.com or visit our website on www.antal-int.com Antal International - Poland, Sienka Centek, UL. Zielna 28-30, 00-832 Warszawa, Poland. Tel: + 48 22 820 2737. Fax: + 48 22 820 2738.



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Interested applicants should enclose a copy of their CV to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 831 2612. Please quote ref 452251. e-mail: guystacey@michaelpage.com

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In the strictest confidence, please send a full CV to Craig Millar at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference FT1609B. Tel: 0171 823 2222. Fax: 0171 823 2208. E-mail: millarassociates@sw1.telme.com

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Please send your CV to Alan Summers, quoting reference FT0998A at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel: 0171 481 1171. email: SHConsult@aol.com

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- communicate effectively and positively with both trading and technology groups on a global basis.

You will...

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- have proven programming skills in a major development language with, ideally, an RDBMS background.
- Individuals will benefit from exposure to the following Corba and Web based developments. Full Sybase training will be provided if necessary.
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For further details, please contact Lucy Young on 0171 608 1420. Alternatively, send your CV, quoting reference LYT7000, to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JL. Fax: 0171 247 7475. Email: cfinch@mcgregor-boyall.com or visit our web-site at www.mcgregor-boyall.com

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£50K-£80K + BONUS

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An experienced mathematician programmer is sought to work on research projects for this financial consultancy firm. The successful applicant will be proficient in stochastic calculus and control theory, have undertaken research in finance and have a good knowledge of C++ and SPlus. Knowledge of a language will be an advantage.

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Alcatel shares plunge on warning

By David Owen in Paris

Alcatel, the French telecommunications equipment group, yesterday touched off a firestorm among European industrial and telecommunications shares by warning that its 1998 operating profits would be below expectations.

The company said its performance had been hit by an "abrupt investment slowdown of some traditional operators and the deepening Asian/Russian crisis".

As a result, operating income from telecommunications "should increase from 1997 but not at the level expected by the market". The company later indicated it was

Move triggers sell-off of European industrial stocks

expecting a figure of about FF4bn (\$700m), up on income of FF3.1bn in 1997, but below analysts' expectations of FF5.5bn-FF6bn.

The announcement triggered a stampede to sell Alcatel shares, which were suspended on numerous occasions before closing down FF356, or 38.4 per cent, at FF571, wiping FF70.5bn from the group's stock market capitalisation.

The decline had severe knock-on effects for other European industrial and telecommunications stocks with Schneider, the French electrical equipment maker, and Alstom, the transport and

engineering group floated by Alcatel and GEC earlier this year, badly affected. Other companies whose shares were hit included Siemens of Germany, Ericsson of Sweden and Finland's Nokia. The Paris stock market's benchmark CAC 40 index closed down 5.47 per cent at 3,826.28.

Ironically, yesterday's turmoil came after Alcatel reported probably the biggest half-yearly profit in French corporate history, with net income totalling FF15.2bn.

This was mainly the result of a FF13.7bn capital gain on the sale to Alstom of the Ceglec engineering and systems

business and Alstom's subsequent flotation. Stripped of this gain, net income was flat, while operating income advanced from FF2.2bn to FF2.3bn and sales edged up from FF60.1bn to FF61.6bn.

The company, which has refocused its activities around its core telecommunications business under the leadership of Serge Tchuruk, chairman, also holds the distinction of making the biggest ever full-year loss by a French company - FF25.6bn in 1995.

Mr Tchuruk said Deutsche Telekom of Germany had cut its investment programme severely, with France Telecom

and Telefonica following suit to a lesser degree.

He blamed these decisions on the privatisation of the companies and the liberalisation of European telecommunications markets, both of which had encouraged former monopoly operators to adopt a prudent approach to investment.

He also said the Internet revolution had made companies unsure of the type of system architecture to invest in, encouraging them to wait before making a decision.

Alcatel improved its structure in the first half, with gearing falling to 3 per cent.

Observer, Page 13
Lex, Page 14
World stocks, Page 34

Philippine Airlines to close with \$2bn in debts

By Tony Tassell in Manila

Philippine Airlines, Asia's oldest airline, plans to close on September 28 if no last-minute rescue emerges, it will become the first carrier in Asia to be grounded since the region's economic crisis began more than a year ago.

Losses at the 37-year-old PAL have been mounting because of falling demand for air travel, the slide in Asian currencies and a bitter 22-day pilots' strike in July. This left the airline struggling with a \$2bn debt burden, much of which had been built up to fund an ambitious fleet expansion and modernisation programme embarked upon just before the Asian crisis began.

The decision to close came after PAL management and unions could not agree on a rehabilitation plan that the airline was due to submit to the Philippine Securities Exchange Commission by September 21.

Under the plan, Lucio Tan, the Filipino-Chinese majority shareholder in PAL, would have offered 20 per cent of the airline to the employees in return for a 10-year suspension of collective wage bargaining. The airline's union had initially appeared to support the deal but then reversed its decision on Wednesday night.

The airline's management announced the closure yesterday after a board meeting, saying losses had become too heavy for it to bear.

"With no fresh capital infusion, PAL cannot operate viably in the face of enormous losses amid the harsh business environment," the company said. "Closure is inevitable because this is the only way to preserve the company's assets to ensure their orderly liquidation and disposition to creditors."

The Philippine government, which holds about 18 per cent of PAL, has called for a meeting between management and unions in an attempt to save the airline. It has ruled out any government bailout. "I don't think the Philippine government has the money or the taxpayer has the money, especially under this great economic hardship, to bail out any large corporation," said Jerry Barican, presidential spokesman.

INSIDE

EMI withdrawal leaves PFE looking for European suitors

Today is the deadline for bids for Europe's biggest film production and distribution business, PolyGram Filmed Entertainment. With the withdrawal of the front-runner, EMI, the UK music group, the business could now be subsumed by a US owner. If this were to happen, it could mean that PFE's focus would shift to the US, and Europe's film industry would lose its prime source of capital. Page 18

EU pressed to abolish milk quotas
The UK, Italy, Sweden and Denmark are to join forces to press for the abolition of European Union milk quotas, the 14-year old system that restricts production, from the middle of the next decade. They will tell their EU partners next week that proposals by the European Commission, the EU's executive, to lift quotas by 2 per cent as part of a reform of the common agricultural policy are insufficient. Page 25

Latin American frailty hits Mexico

Mexicans returned from Independence Day celebrations to find a new thundercloud hanging over their financial markets. Shockwaves from Brazil halted the stunning three-day rebound Mexico had enjoyed before Wednesday's holiday. In times of trouble, Latin American investors tend to lump all the region's markets together and sell. But some economists believe Mexico should remain above the fray because of its proximity to the US and structural reforms put in place after its 1994 devaluation. Page 36

Flooding pushes up cost of raw jute

Prices of raw jute are rising sharply as most jute growing areas in India and Bangladesh, the world's main producers, remain under flood waters. The Indian Jute Bales Association says at least 1m bales will be lost in the flood, and the jute trade has revised the crop estimate to 6.5m bales, down from 8m. Page 26

OTE to finance purchases with MTNs

OTE, Greece's public telecommunications operator, plans to finance the acquisition of equity stakes in other Balkan operators through issuing up to \$1.1bn in medium-term notes. Page 24

Pulp producers await price rebound

At the start of this year pulp producers were confidently predicting stronger prices; nine months on, they are still waiting. The industry is plagued by overcapacity, exacerbated by a lack of discipline among manufacturers and a flood of hardwood pulp from hard-pressed Asian producers. However, there are signs that in the medium term, prices may pick up. Page 28

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Murdoch aims to net Italian football TV rights

By Paul Betts in Milan

Rupert Murdoch is poised to team with Telecom Italia, the privatised telecommunications group, to bid L4,000bn (\$2.2bn) for a six-year pay-TV contract to broadcast Italian football.

It would strengthen the media tycoon's grip on European soccer following the controversial £22m (\$11m) bid for Manchester United, England's biggest club, by British Sky Broadcasting, the satellite group that is controlled by Mr Murdoch.

The moves underline Mr Murdoch's determination to carve out a leading role in the lucrative business of televising European football, the key vehicle for building subscription-based TV networks.

The strategy mirrors the links established in the US between his newly-acquired sports interests and his Fox television network.

Although Telecom Italia is ready to sign the agreement, the deal hinges on negotiations with RAI, the Italian state broadcasting network.

Telecom Italia and RAI were last night in talks to try to agree a partnership to launch a digital pay-television platform to compete against Telepiu, the Italian pay-TV network which is 90 per cent controlled by Canal Plus of France.

The telecoms group is putting pressure on RAI for a quick agreement to enable it to submit a bid before the end of this month for the pay-TV rights for Italian Serie A and Serie B for the next six years.

The proposal involves the creation of a joint holding company between Telecom Italia and RAI, which in turn would control a series of pay-TV networks. Mr Murdoch could then invest in the planned soccer network and bid for the television rights.

The holding company device is also designed to allay Italian political fears of Mr Murdoch assuming a significant role in Italian television broadcasting in general. Leading politicians in the Italian centre-left government coalition have opposed his attempts to break into Italian television.

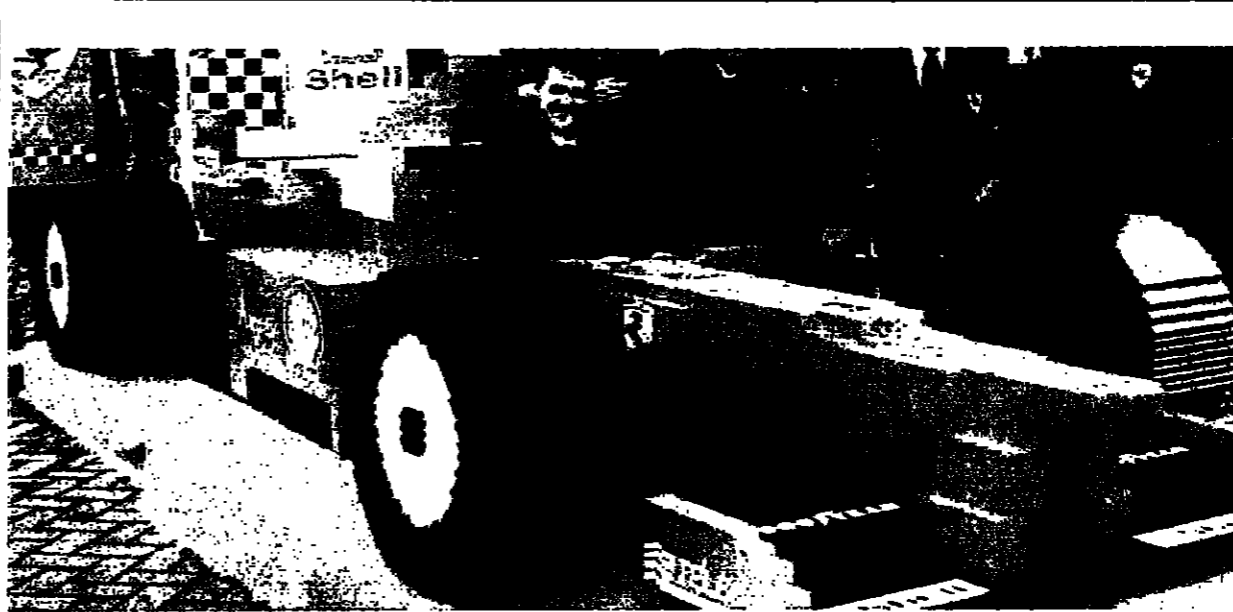
However, officials close to the negotiations did not rule out Mr Murdoch acquiring a stake in Stream, Telecom Italia's multimedia subsidiary that is expected to become the vehicle to launch the pay-TV platform.

The Italian soccer rights are considered crucial for the viability of the project.

The bid by Mr Murdoch and his Italian partners is expected to lead to a fierce fight with Canal Plus, which through Telepiu has signed a six-year pay-TV rights agreement with four leading Italian clubs - Juventus of Turin; AC Milan; Inter Milan; and Napoli.

The deal covers the home league matches of these four clubs which account for by far the biggest share of the Italian soccer TV audience. Last week AC Milan warned that any attempt to block the deal with Canal Plus would be challenged in the courts.

Canal Plus hinted it would offer a stake in its Italian network to Telecom Italia and RAI to form a single digital pay-TV platform in Italy. But the European Union indicated it would oppose a single system on competition grounds.



Man of many parts: Formula One racing driver Michael Schumacher behind the wheel of a Lego model of his Ferrari F300

Lego warns on change in law

Family status of Danish group threatened by changes to inheritance tax

By Hilary Barnes in Copenhagen

The owner of Lego has warned the Danish government that the future of the family-owned international toys group was in doubt because of the country's inheritance tax regime.

Kjeld Kirk Kristiansen, 50, said recent changes in legislation meant that when the next generation of the family moved into Lego management more than DKR3bn (\$437m) would have to be taken out of the company to pay inheritance taxes.

In letters to Mr Ole Stavad, the tax minister, he said: "Our plans to keep Lego as a family-owned Danish company cannot be carried out."

In the letters, published in

Borsen, the business daily, Mr Kristiansen stopped short of saying a sale to foreign interests might be necessary if the legislation was not changed before he died.

However, Peter Ambeck Madsen, Lego's information manager, said: "This is an obvious risk."

The threat to family control arises from the fact that part of the Lego group is controlled through a holding company in Switzerland.

This company is defined under the legislation as a finance company. In the case of a finance company domiciled in a country where taxes are significantly lower than in Denmark (which has the highest tax-to-GDP ratio in Europe

after Sweden), a Danish inheritor will have to pay tax on the capital value of the company.

Previously, the owner would only have been liable to pay tax if he or she sold the shares and realised a capital gain.

It is principally as a consequence of this change to previous legislation that Lego's owners will have to pay "an additional" DKR3bn in inheritance taxes.

"[This is] money which can only be taken out of the business, where in my opinion it should rather be used for investment and jobs," Mr Kristiansen told Mr Stavad.

He argues that the group's corporate structure was set up for business, not tax avoidance, reasons.

The Swiss holding company, Interlego AG, was established in 1962. Lego seems to be unique in being caught by the legislation. "I can't think of any other major company which will be caught," said Mr Ned Shelton, of Shelton International, a Copenhagen tax consultancy firm.

Lego only publishes figures for the companies controlled through the Danish holding company. This group of companies has annual turnover of about DKR7.6bn and employs 9,800.

The companies controlled from Switzerland have about 3,000 employees and turnover of about DKR2bn.

Observer, Page 13

Bayer to sell up to 75% of Agfa film subsidiary

By Andrew Fisher in Frankfurt and Clive Cookson in London

Bayer, the German chemical group, plans to sell up to 75 per cent of its Agfa film and graphic systems subsidiary to outside investors in what is likely to be one of Europe's biggest stock market listings next year.

The group also announced it will acquire the diagnostics business of Chiron, the US biotechnology company, for about \$1.1bn and buy a 50 per cent stake of the seed treatment business of Gustafson of the US.

The group intends to concentrate on its main businesses such as life sciences (health care and agrochemicals), polymers and specialty chemicals.

"Our strategy is to focus more strongly on our core competencies, with the stress on our life sciences operations," said Manfred Schneider, Bayer's chairman.

Chiron said it decided to sell the diagnostics business because it did not have the critical mass to become a leader in such a fast consolidating industry. Bayer's diagnostics business has 4,800 employees and sold \$1.1bn of testing equipment and chemicals last year.

The addition of Chiron Diagnostics will add 3,000 people and \$600m of sales. The combined group will be third in the world league of diagnostics companies, behind Abbott of the US and Roche of Switzerland.

The idea of offering Agfa was suggested by Mr Schnei-

der three years ago after strenuous efforts to improve its poor performance in an intensely competitive industry.

Agfa, whose activities also include imaging systems, has long produced poor profits, but last year managed a strong recovery.

Analysts said Agfa was valued at some DM7bn (\$4.1bn) so the offer could raise at least DM5bn. Bayer said the listing - in Frankfurt, London and Brussels - would take place in the second quarter of 1999 if capital market conditions settled down.

The subsidiary produced a 6 per cent return on sales in 1997, a year ahead of target. Operating profits doubled to DM481m, with turnover up 9 per cent to DM8.1bn. Agfa has 22,000 employees, mainly in Germany, Belgium and the US.

Mr Schneider said Agfa operated in different markets to Bayer, using different technology. Klaus Seeger, Agfa's chief executive, said it would co-operate more closely with computer and software companies.

Analysts said investors would have been disappointed if Bayer had not decided to sell Agfa. Bayer's shares eased 22 pence to DM64.80 on a day when the market fell sharply.

One said Agfa's profit margins were "still not startling", though it had benefited from the restructuring, including purchases of the printing plates business of Hoechst of Germany and the film business of Du Pont of the US.

Details, Page 19

Agfa's accounts
in G&P's
high-tech
performance?

Agfa's accounts are a testament to the company's high-tech performance. The company's revenue has grown significantly over the past few years, and its profit margins have improved. This is a result of the company's focus on research and development, and its ability to adapt to changing market conditions.

Agfa's accounts also show that the company has a strong presence in the high-tech industry. The company's products are used in a wide range of applications, from medical imaging to industrial inspection. This diversity of applications has helped Agfa to maintain a strong market position.

Overall, Agfa's accounts are a testament to the company's high-tech performance. The company's revenue has grown significantly over the past few years, and its profit margins have improved. This is a result of the company's focus on research and development, and its ability to adapt to changing market conditions.

COMPANIES & FINANCE: ASIA-PACIFIC

HONG KONG CONGLOMERATE POINTS TO ASIAN ECONOMIC DOWNTURN AS EARNINGS SHRINK AT NEARLY-ALL MAIN OPERATIONS

Jardine Matheson warns after 63% decline at halfway

By Louise Lucas in Hong Kong

Net earnings at Jardine Matheson, the Hong Kong-based conglomerate, fell 63 per cent at the halfway stage and the group warned the second half of the year was likely to be equally bleak.

Henry Keswick, chairman, said: "The severity of the current economic downturn across Asia presents a challenging environment for all our businesses, and the second half of 1998 is not expected to show any improvement."

Jardine Matheson's net profits fell from US\$279.8m to US\$103.3m in the first six months of the year. Apart from Dairy Farm, the retailing arm, which reported results earlier this week, earnings shrank at all its main operations. Jardine Fleming, the investment banking joint venture, reported no profit at all.

"Jardine Fleming's position in its markets remains strong, but the difficult operating environment is expected to continue to affect profitability for the foreseeable future," Jardine Matheson said. The conglomerate jointly owns Jardine Fleming with Robert Fleming of the UK.

Funds under management and advice totalled \$19.7bn at June 30, including for the first time \$2.4bn of assets invested in Japan from London. Despite the slashed value of markets, and therefore fund managers' holdings, this was unchanged from the start of the year, partly because of successful fund launches in Taiwan and Japan.

Jardine Strategic Holdings slides 37% to \$108.6m

Jardine Strategic Holdings, the holding company and lynchpin of the group, posted a 37 per cent decline in interim net earnings, from US\$172.1m to US\$108.6m, writes Louise Lucas.

Excluding non-recurring items, profits fell 16 per

cent, from \$127m to \$107m. Non-recurring items related chiefly to gains from the sale of European retail interests, which were offset by provisions at Hongkong Land against south-east Asian assets, such as a toll road in Indonesia.

Jardine Strategic said operations from car distribution to marketing had suffered from the Asian financial crisis.

Diluted earnings per share fell 41 per cent, to 11.89 cents, but the dividend is held at 4.6 cents.

financial crisis. The devalued currencies, recessionary economies, asset deflation and depressed consumer spending has ravaged income from a number of its operations.

Mr Keswick said consumer confidence was at a low ebb in most of the group's markets, leading to pressure on sales and margins. The structural changes necessary to reverse the crisis are being implemented slowly, and markets were likely to remain depressed for some time, he added.

"While this will continue to affect its revenues, the group has taken firm measures to reduce costs and ensure that its businesses remain soundly financed," he said.

Earnings per share at the group fell 64 per cent, from 48.37 cents to 17.59 cents. Stripping out non-recurring items, the decline was a slightly more modest 34 per cent, from 35.96 cents to 17.13 cents.

Jardine Matheson is holding the interim dividend flat at 7.5 cents.

Japanese petrol Retail mix fuels BP move

By Alexandra Harney in Tokyo

Japan's big seven petrol groups are stepping up cost-cutting efforts by pooling storage facilities in the industry's largest distribution tie-up to date.

The move is the latest in a series of reforms aimed at improving deteriorating profitability amid intense price competition and growing debt levels.

Cosmo Oil, one of the leading petrol groups, yesterday confirmed plans to rent out its oil terminal facilities in Matsuyama in south-west Japan to other companies from October. Cosmo reached agreements with Nippon Oil, Idemitsu, Japan Energy, Mitsubishi Oil, General Sekiyu and Showa Shell.

The tie-up will eliminate some of the industry's excess capacity. Three petrol groups - Japan Energy, General Sekiyu, and Mitsubishi - will close their tank facilities in the region this year as a result of the agreement, according to industry sources.

Matsuyama is Cosmo's largest storage facility with a capacity of 300,000 kilolitres. It supplies the Shikoku region in southern Japan. Cosmo said it had no plans for further distribution

ties, but suggested there could be similar moves in the industry as companies continued cost-cutting.

Japanese oil groups have been scrambling to reduce operating costs and revive profitability, following this year's deregulation reforms that introduced self-service stations and lifted restrictions on oil imports.

Overcapacity has cut margins across the industry and contributed to companies' debt problems. Analysts estimate that 70 per cent of service stations are operating at a loss, and that the sector has as much as ¥5,000bn (\$37bn) in bad debts.

The deal will provide Cosmo, which saw profits plunge 40 per cent to ¥5.3bn last year, with much needed cash from cost cuts and rental fees. The group estimates it will reduce expenses by between ¥50m and ¥60m a year and gain an additional ¥300m from the tank rents.

Cosmo has closed 90 service stations in the past six months and plans to shut 1,000 stations by March 2000. The group, which has cut executive pay by 3-5 per cent, said weaker-than-expected demand could force a downward revision of earnings for this year.

Cappuccino and chocolate bears seem an unlikely way to build a petrol station business, but British Petroleum, the UK-based group, believes these are two of the elements in its successful entry into the competitive Japanese market, writes Alexandra Harney in Gommia.

When BP opened its first self-service station in Ojima, 100km north of Tokyo, last week, customers found a sit-down cafe, sweet shop and a convenience store in addition to self-service pumps. The new station, which is twice as large and equipped to sell 10 times as much fuel as the average Japanese petrol stand, is the latest development in BP's strategy to capture a piece of the second-largest oil market in the world, next to the US.

Last December, the group opened its first station, a semi-self-service outlet in the same region.

Both stations have drawn strong criticism from domestic oil companies and local government, who see BP as a threat to existing petrol stations, already squeezed by record low profit margins and excess capacity.

"We have been blamed for everything, including El Niño. We have been accused of putting gas stations out of business. It seems like everyone and their brother is related to someone who owns a gas station here," says Ronnie Forbes, BP retail manager.

With an estimated 70 per



Fill her up (yourself): BP's self-service station in Ojima

cent of stations in the red and profit margins at just a fraction of their peak, it appears a risky moment to enter the market. Earnings at the seven largest Japanese oil companies have tumbled 96 per cent over the past two years, from ¥101bn in 1996 to ¥3.8bn (\$29bn) this year, according to Deutsche Securities in Tokyo. But BP is betting that the industry is ripe for change.

"The days of four guys wiping your windows are over," says Mr Forbes, describing the expansive service Japanese stations have

traditionally offered. Instead, BP has tied up with Beisei, a local retail operator, to find busy locations and install convenience stores in the service stations.

BP believes the unusual retail mix - there are even plans for a Kentucky Fried Chicken drive-through restaurant - will bring in more revenue than the traditional full-service Japanese station, and hopes that non-fuel sales will account for at least 30 per cent of turnover.

BP aims to open 120 service stations in Japan in the next 5-7 years.

Positive demand for DoCoMo

By Paul Abraham in Tokyo

Pre-marketing for the initial public offering of NTT DoCoMo, the world's largest mobile telecommunications operator, has shown positive demand for the stock.

Early indications suggest strong retail and institutional demand for the issue, which is expected to raise about \$15bn in one of the biggest IPOs this year. International demand in the US and Europe is also believed to be strong.

Despite turbulence in international markets, the defensive and less volatile nature of the mobile telecoms stocks has attracted investors, according to sources close to the issue.

NTT DoCoMo increased its earnings before interest, tax, depreciation and amortisation by 58 per cent last year to ¥185bn (\$8.05bn).

In the year to March 1999, analysts predict they will rise 20 per cent, despite the worst recession in Japan for more than 50 years.

Many index funds will have to buy NTT DoCoMo shares no matter what the price, as the company is expected to become the third largest stock on the Tokyo market once it is floated next month. However, valuation remains a key issue.

The IPO is likely to be priced at a small discount to international mobile operators such as Vodafone of the UK, AirTouch of the US and TIM of Italy. A range will be decided next week, but final prices will not be fixed for another three weeks.

Retail demand is thought to be strong due to high brand recognition.

However, advisers to the deal are anxious NTT DoCoMo's shares remain orderly after the flotation. They are thought to be concerned that retail investors may "stag" the issue, selling their allocation immediately after they receive their stock.

At present, 45 per cent of the shares are being marketed to retail investors, 25 per cent to Japanese institutions, 18 per cent to non-north American investors and 12 per cent to the US and Canada. These percentages could change according to demand.

Investors' main concerns appear to be centred on the loss-making personal handy-phone business; the scale of investment necessary for the next generation of mobile telephony and the potential return on that investment; and environmental and health issues associated with mobile phones.

The PHS business will be sold to DoCoMo in December after the issue. The cost of the business and its losses this year will be ¥400bn.

NEWS DIGEST

TELECOMMUNICATIONS

HK Telecom plans to cut staff salaries by 10%

Hongkong Telecom, the territory's dominant carrier and one of its biggest employers, yesterday announced plans to cut staff salaries by 10 per cent. The company, which employs 13,800, said the move should result in savings of HK\$300m (\$38.7m) and avoid any further redundancies in the near term. It blamed the economic recession and increased competition.

These factors have already prompted job losses within the telecoms sector in Hong Kong. Earlier this week New T&T, the telecoms unit of Wharf (Holdings), said it had cut 80 of its 650-strong staff. Hongkong Telecom has already announced staff and salary cuts. It laid off 270 people in July and cut senior managers' pay by 8 to 10 per cent. Hongkong Telecom earlier this week refused to meet union demands to clarify reports of a further 700 job cuts plus salary reductions. Louise Lucas, Hong Kong

CONSTRUCTION

Consolidation at Aditya Birla

Aditya Birla, the Indian business house, plans to consolidate all its cement interests into a single company, Grasim Industries - creating a new giant in the cement industry. Grasim will acquire the 3.2m tonnes per annum cement business of sister company Indian Rayon in an all-share deal. The deal - which follows two other recent cement acquisitions - will increase Grasim's capacity to 10.5m tonnes, a fraction less than industry leaders Associated Cement Companies and Larsen & Toubro.

Kumar Mangalam Birla, chairman of Aditya Birla, said the merger of the cement interests would bring savings in marketing, logistics and overheads. Indian Rayon's cement plants are in the south of India, where Grasim is weak, giving the merged business a more national presence. Krishna Guha, Bombay

ELECTRONICS

Sega unveils Naomi technology

Sega, the Japanese electronics game group, yesterday unveiled a video game technology that aims to be the next industry standard for video machines.

The product, known as Naomi, is the result of collaboration with NEC, the Japanese electronics company, and VideoLogic, the UK technology group. Sega plans to release its first game using the new technology in Japan in November, and in Europe next year. Alexandra Harney, Tokyo

OIL

Indian Oil plans global issue

Indian Oil Company, the state-owned refiner preparing for a global equity issue, announced its fifth year of profits growth above 20 per cent with post-tax earnings for 1997-98 rising 21.16 per cent to Rs17bn (\$400m) from Rs14bn a year earlier. India's biggest crude oil importer and refiner also said phased fuel price liberalisation begun in April would sustain profits growth at similar levels this year, despite soft world oil prices.

Last year's profits growth came on the back of a more modest 6.8 per cent rise in total sales to Rs581bn from Rs553bn a year earlier, with the company reporting record capacity use in its six refineries and both its crude and petroleum product pipelines. Mark Nicholson, New Delhi

MALAYSIA

Bank Bumiputra to merge

Malaysia's state-owned Bank Bumiputra announced yesterday it would merge with Commerce Asset Holding to form the country's second largest banking group, with about M\$80bn (US\$21bn) in assets. Bank Bumiputra has been saved twice already by the government and rumours of yet another bailout have circulated since the regional financial crisis began putting pressure on the Malaysian banking system. The merger is to be completed via a share swap. Due diligence is to be completed within 12 weeks. Sheila McNulty, Singapore

PLDT shares rise 25%

By Tony Tassell in Manila

Shares in Philippine Long Distance Telephone, the country's dominant telecommunications provider, rose 25.3 per cent to 1,015 pesos yesterday on the Manila stock exchange amid mounting speculation about the future of the company.

Rumours have been fuelled since last week when the company announced it planned to introduce a poison pill clause into its articles of association to ward off hostile takeovers.

The move prompted speculation of an imminent wrangle for control of PLDT, one of the largest companies in the Philippines by market capitalisation, involving pivotal figures in the country's business and political establishment.

The company's president

is Antonio Cojuangco, a member of one of the Philippines' leading business families. Mr Cojuangco's family holds 44 per cent of Philippine Telecommunications Investment (PTIC) which in turn holds 20.9 per cent of PLDT.

Analysts said Mr Cojuangco had been able to retain management control of PLDT with the support of the previous governments.

The government holds a 9.3 per cent stake in PLDT. A 46 per cent stake in PTIC is held by Prime Holdings, a company of disputed ownership and now under control of the government appointees of a commission set up to investigate ill-gotten wealth under the Marcos regime. The Marcos family has claimed ownership of Prima.

With the formation of the

new government of Joseph Estrada, analysts said speculation arose over whether Cojuangco would retain control and this was heightened by the poison pill move by the company.

Potential bidders for control of PLDT include a consortium led by Gregorio Arana, son-in-law of the late president Ferdinand Marcos, as well as foreign companies. Telefonica, the Spanish telecoms group, yesterday denied it had made a bid for the group.

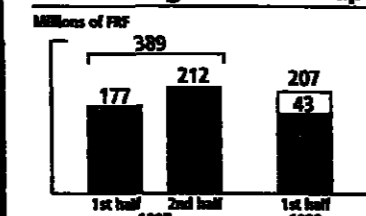
Local press reports have also suggested that Eduardo Cojuangco, an estranged uncle of the PLDT president and a leading business figure, may play a white knight role for the company using his political connections as chairman of the political party of the Philippines president.

ERAMET GROUP

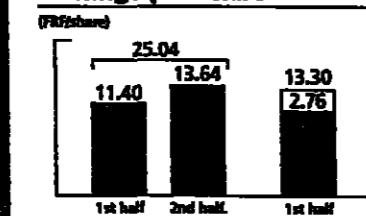
THE GROUP WAS ABLE TO WITHSTAND UNFAVORABLE ECONOMIC CONDITIONS: the increase in earnings of the high speed steel and the manganese divisions compensated for the decline in the nickel price

- Net result Group's share: FRF 207 million (+ 17 %) including a capital gain of FRF 43 million from the sale of Comilog's kaolin affiliate
- Comilog invests FRF 470 million in Gabon

Net earnings of the Group



Earnings per share



Capital gain on the sale of the kaolin activity

During its presentation of the 1st half results to the Board of Directors, Yves Rambaud said:

"The 1st half results and the outlook for 1998 clearly demonstrate the interest of the strategy developed by the Group over the last 10 years.

The Group proved its capability to withstand the turbulence affecting the world economy. It started to implement the necessary measures to face the crisis and to strengthen its profitability, especially in the nickel division in which a programme of cost reduction was launched.

With a very healthy financial situation, the Eramet Group has the capability to continue its growth, as testified by the capital investment programme decided on by Comilog."

RESULTS OF THE 1st HALF 1998

The Eramet's Board of Directors met on September 15, 1998, under the chairmanship of Mr Yves Rambaud, to review the accounts for the 1st half 1998.

Consolidated results

| Millions of FRF | 1st half 1998 | 1st half 1997 (1) | 1st half 1997 (2) | Change (2) |
|--|---------------|-------------------|-------------------|------------|
| Turnover | 3,386.4 | 2,018.0 | 3,875.0 (B) | + 2.9 % |
| Income before taxes and exceptional items | 324.2 | 257.2 | 397.0 | + 18.3 % |
| Net earnings of the Group | 207.4 | 176.9 | 176.9 | + 17.2 % |
| Earnings per share (FRF/share) | 13.30 | 11.40 | 11.40 | + 16.7 % |
| Operating cash-flow before change in working capital | 391.4 | 353.4 | 548.0 | - 28.6 % |

(1) In the 1st half 1997, the companies' earnings (Comilog) were consolidated by the equity method. Therefore, turnover, income before tax and exceptional items, and operating cash flow of the Eramet Group did not include Comilog.

(2) On the same method of consolidation.

(B) i.e. FRF 3,838 million excluding the kaolin business.

In the 1st half 1998, industrial and commercial activity in the three divisions made progress and was satisfactory. This resulted in a 4 % increase in turnover on the same basis and method of consolidation, excluding the kaolin business. The increase in turnover is particularly significant in the high speed steel division (+ 21 %) and in the manganese division (+ 11 %). The Asian crisis had relatively little effect on deliveries, however it provoked a further and sharp decline in the nickel price which impacted on the results of the nickel division, despite an increase of 3 % in its deliveries.

Net earnings of the Group, before a capital gain from the sale of the kaolin affiliate is almost stable (FRF 164 million, i.e. - 7 %). The increase in earnings of the high speed steel and manganese divisions nearly compensated for the marked decline in the result of the nickel division which showed a small loss. These results justify the Group's strategy which enabled a better spread of its risks, with high speed steels and manganese now representing about two thirds of the consolidated turnover.

After taking into account the capital gains from the sale of the kaolin affiliate, the Group's net earnings increased by 17 % compared to the 1st half 1997, reaching FRF 207 million, i.e. FRF 13.30 per share, compared to FRF 177 million and FRF 11.40 per share in the same period last year.

Recent events

Comilog

Comilog's Board of Directors met on 10 September, 1998 and decided to initiate the construction of an ore upgrading and sintering plant in Gabon on the site of the Moanda mine. This capital investment of FRF 470 million represents a major step in the strengthening of the profitability of the manganese alloy production business. The construction will be spread over 3 years with a start-up forecast for the middle of 2001.

On this occasion, Cogema, which has been operating in the Moanda area for many years, will become a shareholder in Comilog, through an increase in the share capital scheduled for 1999.

Swamp of mining rights in New Caledonia

In accordance with the agreement signed in early May 1998, between the French Government and Eramet, the scheduled compensation was received on 11 September, 1998.

The agreement provides that a part of this compensation could be repaid if the nickel smelter project in the North of New Caledonia is not launched by its developers in 2005 at the latest. Due to this swap of mining rights, the 2nd half 1998 accounts of the nickel division will register an exceptional income, of about FRF 100 million after tax or FRF 6.40 per share, which represents that part of the compensation which will definitely be kept by the Eramet Group for the year 1998.

Cost reduction programme in the nickel division

A programme of cost reduction over 3 years was initiated aimed at reducing the production costs by 15 % and the number of employees by 300.

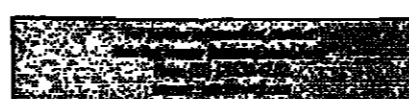
1998 outlook

The income before exceptional items and taxes for the year 1998 will be affected by the losses of the nickel division in the 2nd half and will be lower than that of 1997 (FRF 716 million, pro-forma), given the presently very depressed price of nickel. It will however benefit from the satisfactory results of the high speed steel and the manganese divisions.

Taking into account the exceptional incomes from the 1st half and 2nd half, the decline in the Group's net earnings for the year 1998 compared to 1997 earnings (FRF 389 million), could be moderate, provided the nickel price and the parity of the dollar remain at recent levels.



NICKEL - HIGH SPEED STEELS - MANGANESE



July 1998

Line at halfway

ve
ed

Mo staff salaries by 10%

CONSTRUCTION

Consolidation at Aditya Birla

Saga unveils Noami technology

Indian Oil plans global issue

Bank Humana to merge

T shares rise 25⁰⁰



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COMPANIES & FINANCE: EUROPE

INSURANCE SHARES IN ZFS'S JOINT OWNERS HIT ON CONCERNS ABOUT IMPACT OF STOCK MARKET FALL ON SHAREHOLDERS' FUNDS

Zurich Financial cautions on second half

By William Hall in Zurich

Zurich Financial Services, formed from this month's merger of Zurich Insurance and BAT Industries' financial services arm, earned \$1.42bn in the first half of 1998 but warned yesterday it did not expect second-half earnings to be as strong.

The cautionary note, combined with investor concerns about the impact of the crisis in the recent stock market slide on ZFS's \$23bn of shareholders' funds, led to a near 6 per

cent drop, to SF7781, in the shares of Zurich Allied, one of the two quoted holding companies owning ZFS. Shares of Allied Zurich, the UK holding company, fell to \$80p, where they are trading at roughly a 14 per cent discount to the Swiss sister company.

Markus Rohrbasser, the group's chief financial officer, emphasised that the direct impact of the crisis in Asia, Russia and other emerging markets on the results of Zurich Group was

limited, as these regions only account for 3.1 per cent of total premium income and 1 per cent of investments. Its total emerging market exposure was SF1.5bn (\$1.15bn) and the impact of recent market movements was of the order of 1.5 per cent.

In the first six months, ZFS had revenues of \$18.1bn and total operating income of \$2bn. Its first-half performance is a considerable improvement on 1997, when the merged group earned \$2.1bn for the full year based

on pro forma estimates. Rolf Hüppi, chairman and chief executive of ZFS, warned in May that the new group would take a \$1.4bn restructuring charge, but stressed yesterday it would have no effect on the dividend payment, which will represent 30 per cent of sustainable profits.

Mr Hüppi said the new group expects to attain "very good operating results" in 1998, despite the weaker earnings in the second half. He declined to give a full-

year forecast, but said its target was a 15 per cent per annum growth in "sustainable earnings power".

Last month, Goldman Sachs, the US investment bank, estimated that ZFS would earn \$1.8bn in 1998 after taking account of the restructuring charge, which implied a 14 per cent fall in 1998 net income.

First-half profits at Zurich Group, the senior partner in the merger, rose 46 per cent to SF1.37bn. Its performance was boosted by a

SF1.1bn increase in net realised capital gains on the investment portfolio, while net premiums earned rose 23 per cent to SF12.95bn and net investment income rose 10 per cent, to SF1.4bn.

Mr Hüppi moved to quell speculation that ZFS planned to sell its reinsurance operations, which account for less than 10 per cent of the combined group. It has put Zurich Reinsurance (London) up for sale because it does not fit into its strategy.

NEWS DIGEST

ALUMINIUM

Strong dollar helps lift Pechiney in first half

Pechiney, the French aluminium and packaging company, yesterday reported a 15 per cent rise in first-half profits as a result of sustained demand and a strong dollar relative to the French franc.

Net profits were FF1.19bn (\$210m), up from FF1.03bn in the same period last year, and the company was confident full-year results would continue to reflect the benefits of cost reductions. Jean-Pierre Rodier, chairman, said Pechiney was optimistic that demand for aluminium would remain strong in Europe and the US, which account for 95 per cent of the group's production.

Lower metal prices were more than offset by efficiency gains, as part of the company's ongoing restructuring effort - the so-called "Challenge Programme". At the end of June, the workforce was down by 4,000 from its 1995 levels, in line with the company's plans for 5,100 job cuts by 2000. Cost-cutting was also in line with expectations, with direct costs down 14 per cent, or FF2.7bn, after adjusting for inflation. The final objective of reducing direct costs by 20 per cent from 1995 levels would be met next year. Samer Iskandar, Paris

SWEDEN

Drott lifts Näckebro stake

Drott, the Swedish real estate company pursuing a SKr3.56bn (\$430m) takeover bid for Näckebro, a smaller rival, said yesterday it had increased its stake to 45.7 per cent and demanded that Näckebro respond by convening an extraordinary shareholders' meeting.

Mats Mared, Drott managing director, said he wanted the appointment of a new board of directors which better reflected Drott's position as the dominant shareholder. Drott launched its takeover bid last week after Näckebro surprised it by acquiring 44.6 per cent of its voting rights. Under stockmarket rules, Näckebro cannot itself call for an extraordinary shareholders' meeting at Drott until next week. Greg Melvor, Stockholm

TELECOMS

ADC buys Teledata for \$200m

ADC Telecommunications, the Minneapolis-based telecommunications equipment manufacturer, has agreed to purchase Teledata Communications of Israel for \$200m in cash, in an effort to boost its presence on world markets.

The move was the latest in a wave of acquisitions of small Israeli technology companies for high valuations by overseas companies, mostly from the US.

ADC will purchase Teledata for \$15.75 a share, or 17 per cent above Wednesday's opening price of \$13.375 on Nasdaq. Teledata, which had revenues of \$69m in the 12 months ended June, makes digital loop carriers, used to transmit voice and data from telecom providers to remote neighbourhoods. The Israeli company has a strong presence in markets outside the US. ADC said Teledata's market share in Europe, the Middle East, Australia and Latin America would give it "immediate leverage in those markets" and help boost ADC's exports from 21 per cent to 30 per cent. Avi Machlis, Jerusalem

PFE's future may lie west

By Alice Rawsthorn

Among the production credits of *Four Weddings and a Funeral*, *Trainspotting*, *Bean*, *Lock Stock & Two Smoking Barrels* and most other European hit films of the 1990s, the name PolyGram appears often.

PolyGram, the Dutch music group, has spent \$1.2bn since 1991 on establishing Europe's biggest film production and distribution business. But when Seagram, the Canadian entertainment company, bid \$10.4bn for PolyGram this spring, that expensive-created film business went up for sale.

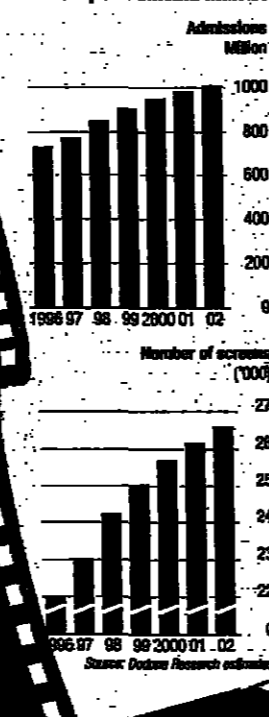
The deadline for final bids for PolyGram Filmed Entertainment (PFE) is today. However, the outcome is now clouded by uncertainty because EMI, the UK music group long regarded as the front-runner in the auction, has dropped out.

Unless another European suitor, such as Canal Plus or Carlton, the French and UK media companies, comes to PFE's rescue, there is a growing possibility that it will be subsumed by a US owner, such as Artisan Entertainment, Kirk Kerkorian's MCM/UA or, if none of the bids meets Seagram's expectations, its own Universal Studios subsidiary.

There would then be a very real risk that the focus of PFE's investment would shift to the US, and Europe's film industry would lose its



European cinema market



prime source of capital. The loss of such an important investor would come at a sensitive time, as the European industry is enjoying a revival.

One of the chief catalysts for that revival was PolyGram's emergence as a powerful investor willing to make a long term commitment to a global production and distribution network. Until then, the European

film business was a fragile, fragmented sector dominated by small companies. Larger investors emerged from time to time, notably EMI in the 1970s, and Pearson (the UK media concern which owns the Financial Times) in the 1980s.

But they concentrated on production, rather than the more profitable distribution and business, and both eventually withdrew.

PolyGram's success with *Four Weddings and a Funeral*, coupled with steady increase in cinema attendance as new multiplexes opened across Europe, encouraged other well-capitalised European companies.

Canal Plus has stepped up its investment in production: as have Pathé and Gaumont, the French media groups. Total expenditure on production in the European Union rose from \$1.6bn in 1992 to \$2.2bn in 1997, according to Screen Digest, the specialist newsletter.

The future prospects for the European film market are so encouraging - fuelled by the construction of more multiplexes and the launch of hundreds of digital television channels - that a new US owner of PFE would be unlikely to withdraw completely from European production.

Similarly, Universal and MGM might retain PFE's distribution network in the light of the European Commission's threat to break up United International Pictures, their distribution joint venture with Paramount.

However, it is highly unlikely that a US owner, or Canal Plus or Carlton, would pump as much money into European production or distribution as PolyGram. Nor is there any sign of another European group taking PolyGram's place as Europe's lead film investor if, after today's deadline, PFE is gobled up by Hollywood.

Allianz reports growth in line with forecast

By Tony Barber in Frankfurt

Allianz, the German group which this year became Europe's largest insurance company, yesterday stuck to its forecast of a growth in net profit of at least 10 per cent for 1998, provided that claims remained low and financial markets escape further substantial falls.

In spite of intense competition, Allianz reported a 18.3 per cent increase in premium income in the first half of this year, to DM51.8bn (\$30.6bn).

The results, which were in line with analysts' forecasts, were the first to be published since Allianz's takeover earlier this year of AGF, the French insurance group. AGF contributed DM6.5bn in premium income to the Munich-based insurer's first-half results.

When Allianz reported last February that net profit had risen by 16 per cent in 1997, it said it expected "moderate double-digit" profit growth this year. It gave no specific figures yesterday for first-half earnings.

The AGF takeover signalled Allianz's intention of establishing a stronger position in other European countries, such as Belgium,

Ireland, the Netherlands and Spain, ahead of next year's launch of the euro.

However, Henning Schulte-Noelle, Allianz chairman, has sought to curb speculation that the AGF takeover is the prelude to bolder initiatives that would transform the group into a worldwide financial concern. It continues to hold stakes of about 20 per cent in Hypo-Vereinsbank and Dresdner Bank, Germany's second and third largest commercial banks. But earlier this week it sold a 16 per cent stake in BHF-Bank, a medium-sized German bank, to ING, the Dutch financial group.

Insurance analysts said they expected the group to meet its 1998 premium income target of DM107bn, to which AGF would contribute about DM18bn.

Allianz generates about two-thirds of its revenue outside Germany, raising the possibility of a slowdown in income growth if there were a sustained rise in the mark's value. First-half growth was fuelled almost equally by the group's property and casualty business, which rose by 17.5 per cent, and by its life and health insurance operations, which grew by 11.7 per cent.

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ALUMINUM

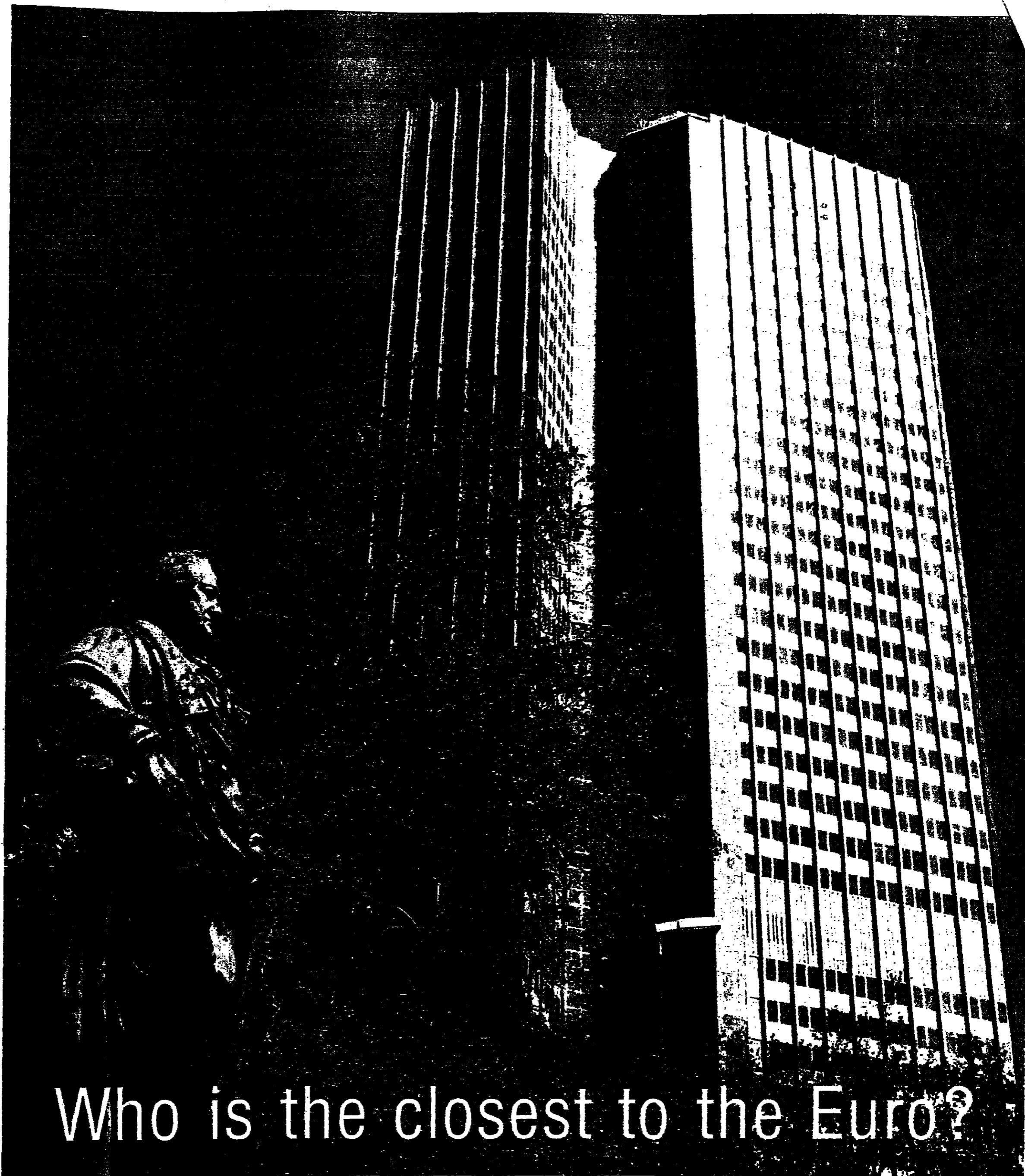
Strong dollar helps lift Pechiney in first half

SWEDEN

Drott lifts Nackebro stake

TELECOMS

ADC bays Teledata for \$200



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COMPANIES & FINANCE: EUROPE

BANKING CREDIT LYONNAIS TO NEGOTIATE WITH DEBTORS ON BEHALF OF OTHER FRENCH BANKS

Lyonnais to lead talks on Russian debt

By Samer Iskandar in Paris

Credit Lyonnais, the French bank due to be privatised next year after a state-backed rescue, is to conduct negotiations with Russian debtors on behalf of other French banks.

Jean Peyrelevade, chairman of Credit Lyonnais, said talks would "have to take place" in coming weeks. The bank had been chosen to head the French delegation as it had "always had a his-

torical presence" in Russia.

French banks have been among the most secretive in the western banking industry about the extent of their Russian exposure. This week, Cr  dit Agricole, a French mutual bank, said that disclosing total exposure or level of losses would weaken its bargaining position with Russian debtors.

The Russian government yesterday postponed by a week the disclosure of conditions at which GKOs -

short-term debt securities - would be redeemed. The announcement was originally scheduled for today. Russia effectively defaulted on GKOs on August 17, when it unilaterally announced a three-month moratorium on payments.

Cr  dit Lyonnais yesterday blamed the large provisions on its Asian and Russian exposure for an 18 per cent fall in first-half net profits to FF1.3bn (\$329m). Of the FF1.4bn set aside in new

provisions in the first half, FF1.2bn was due to the Russian and Asian crises. "We feel that we have very adequately provisioned what needed to be provisioned in the period to the end of August," Mr Peyrelevade said. "Apart from GKOs, we hold practically no emerging market debt securities."

Operating profits were up 35.8 per cent at FF7.2bn, mainly from growth in retail banking outside France, of which much is to be sold as

part of conditions imposed on the bank by the European Commission in exchange for approving an estimated FF120bn in state aid for Cr  dit Lyonnais.

Cr  dit Lyonnais, however, lagged behind its competitors in capitalising on the upturn in the French economy. Consumer loans and mortgages rose 3 per cent between January and June, to FF119.3bn. This compares with more than 8 per cent at Cr  dit Agricole.

Deposits increased by 3.7 per cent to FF239bn, compared with double-digit growth at some of its rivals.

Mr Peyrelevade said this was partly because of uncertainty before the summer, during negotiations between the French government and the European Commission over the bank's rescue. Mr Peyrelevade said yesterday that speculation that Cr  dit Lyonnais might be driven into bankruptcy had caused a rush on deposits.

Shares tumble after Portugal Telecom results

By Peter Wise in Lisbon

Shares in Portugal Telecom fell 6.6 per cent yesterday after disappointing first-half results that included a 11.2 per cent drop in revenue from international calls.

Analysts said a 22.8 per cent increase in net consolidated profit to Es40.8bn (\$221m), up from Es33.2bn in the first half of 1997, failed to offset concern about lower revenue from the group's core business.

Profit growth was slightly below most analysts' forecasts, which ranged from Es41bn to Es44bn. Earnings per share rose from Es175 to Es155. Consolidated operating revenue grew 6.2 per cent to Es273bn.

Analysts said the shares, which closed at Es7.331, down from Es7.851 at Wednesday's close, were affected by heavy falls in the sector across Europe yesterday, as well as disappointment over fixed-line revenue, which accounts for 62.2 per cent of total income.

Total income from fixed telephone services fell 4.3 per cent to Es169.7bn. Domestic telephone revenue, accounting for 48.1 per cent of total revenue, was down 2.1 per cent to Es131.3bn. Income from international

calls fell 11.2 per cent to Es38.5bn, 14.1 per cent of total revenue.

Portugal Telecom, which has a monopoly on fixed-line operations until 2000, attributed the fall in core revenue to the introduction of a new tariff system aimed at an average annual reduction, in real terms, of 4 per cent in fixed-line call charges from 1998 to 2000.

The group estimated the impact of lower tariffs in the first half at Es9bn, despite a 3.6 per cent increase in the number of fixed lines to over 4m and a 5.4 per cent rise in total call volume, including 12.4 per cent growth for international calls.

Francisco Murtelra Nabo, president, forecast revenue from fixed telephone services would grow in the second half as lower tariffs encouraged customers to make more calls.

Mr Murtelra said the group planned to sell 40 per cent of TV Cabo, its cable TV operator, in 1999 and 2000. A first tranche of 25 per cent was expected to be sold to a strategic partner.

He said Portugal's Telecom's recent \$3bn investment in Telepar, a Brazilian mobile phone operator, would reach a break-even point in four to five years.

TELECOMMUNICATIONS OPERATOR ALSO UNVEILS NETWORK PLANS

France Telecom falls 15%

By David Owen in Paris

France Telecom yesterday reported a 15 per cent decline from FF8.9bn to FF7.6bn (\$1.34bn) in first-half profits and unveiled plans to build a so-called "European backbone" telecommunications network in a joint initiative with Deutsche Telekom.

The result, which was in line with analysts' expectations, was achieved on turnover ahead more than 3 per cent to FF77.9bn. Consolidated operating income before special items reached FF14.3bn, down almost 14 per cent.

Michel Bon, chairman, said full-year profits would come in at about FF15bn, again in line with expectations, in spite of expenses linked to a planned autumn sale of a second tranche of France Telecom shares.

Questioned on the subject, Mr Bon acknowledged that market turbulence could still force a postponement of the sale, which may involve 100m or so France Telecom shares, but he emphasised how well the shares had performed since last year's initial public offering.

Yesterday the shares were caught up in the general sell-off of telecoms shares which followed the early morning profit warning by Alcatel, the French telecoms equipment group. They closed down FF4.30, or 7.6



Michel Bon: full-year profits would come in at about FF15bn, again in line with expectations

per cent, at FF425, outstripping the heavy 5.5 per cent fall logged by the benchmark CAC 40 index.

The company said total telephone traffic had increased 8.9 per cent year-on-year, reflecting lower tariffs, which took full effect in 1998, and the success of the company's battery of new call plan options.

It said the number of subscribers to its Itineris cellular service doubled during the year June 30, 1997 to June 30, 1998. It said its tar-

get of 5m Itineris subscribers, initially forecast for 2000, should be reached by the end of 1998.

The share of revenues derived from fixed telephony continued to fall, from 65.1 per cent at June 30 1997 to 59.4 per cent a year later. By contrast, wireless telephony accounted for 13.7 per cent of revenues in the latest period, up from 9.6 per cent the previous year.

Revenues from the group's international business also increased, generating reve-

nues of FF5.6bn in the first half of 1998, up from FF4.1bn.

The last six months were marked by the acquisition of CI Telecom, a wireless operator in Ivory Coast, and Casema in the Netherlands, as well as the deconsolidation of Cellway (Martin Dawes) in Germany.

The company said the European backbone network would meet the needs of telecoms markets for data transmission products.

NEWS DIGEST

AEROSPACE

Satellite shake-up lifts Aerospatiale in first half

Aerospatiale, the French state-owned aerospace group due to be partially privatised next year, said yesterday first-half net profits rose to FF1.2bn (\$211m) against FF608m in the same period last year. The increased net result reflected large one-off profits from the cessation of satellite activities under last year's defence restructuring deal with Thomson-CSF. The net balance of this operation topped FF978m. Stripped of the FF1.1bn of satellite income, first-half turnover in 1998 was stable at FF24.6bn. However, the group reported a 35 per cent jump in orders to FF432bn, with aircraft orders, including Airbus, increasing 88 per cent to FF22.6bn. The group said this level was higher than projected and could come close to the record of 1997. Over the year orders were expected to reach FF70bn against FF74.7bn in 1997.

The company said partial privatisation plans, announced in July, that included the Lagard  re group taking 30-33 per cent, were proceeding smoothly. The current turnout on the bourses would not affect the plans for the flotation in the first half of 1999.

Aerospatiale's results came as Denis Ranque, the recently installed chairman of Thomson-CSF, unveiled a far-reaching reorganisation of the French defence electronics leader involving the creation of eight business groups and numerous senior personnel changes. Mr Ranque also said he was aiming over the next three years to raise the current operating margin from 5.6 per cent to between 7 per cent and 8 per cent. Robert Graham and David Owen, Paris

TELECOMS

Era GSM in the black

Era GSM, the Polish mobile telephone operator which started building its network at the beginning of 1996, has for the first time reported a net profit of 37m zlotys (\$10m) for the first half of this year.

The company, which is a joint venture between DT Mobile of Germany, US West, and Eircom, a local listed conglomerate, is competing against GSM Plus, a venture involving Tele Danmark, AirTouch and Poland's giant Ploce refinery and the KGHM copper combine.

Era said revenues of 686m zlotys were slightly ahead of last year's, as the number of subscribers had grown to more than 600,000 in two years. Christopher Bobinski, Warsaw

INVESTMENT BANKING

Merrill opens in Poland

Merrill Lynch has opened an office in Poland, signalling its confidence in the country's long-term future, according to Reginald Bartholomew, vice-chairman of Merrill Lynch Europe. "Poland truly stands out amid the chaos that has swept through financial markets," Mr Bartholomew said. At the same time Merrill Lynch, which took a lease on offices in Moscow in June is reviewing the status of its Russian operation. "This part of a review of our global operations," Mr Bartholomew explained. Christopher Bobinski

INSURANCE

Baloise rises 31% in first half

Baloise, Switzerland's fourth biggest insurer, increased its first-half net income by 31 per cent, to SF209m (\$150m), helped by a marked improvement in its underwriting performance. On the non-life side a SF49.5m decline in losses, to SF21.3m, underpinned a 22 per cent increase in the overall result of the non-life business, to SF244m.

The shift in emphasis towards life business, which now accounts for 60 per cent of premiums, is reflected in a 70 per cent increase in the life result to SF67.2m. Group premium income rose 3.6 per cent, to SF4.1bn led by a 21.6 per cent rise in life premiums, to SF2.4bn.

The group's total income from financial operations rose 5.4 per cent, to SF1.05bn, and the group's consolidated investments rose 12.4 per cent in the first six months, to SF42bn. The company has realised almost all its planned annual stock market gains in the first half and a proportion of its portfolio has been hedged against price fluctuations which partly explains the more than five-fold rise in investment depreciation, to SF418m.

This should cushion the impact of the stock market downturn on the second-half performance and the group is forecasting "a further impressive increase" in full-year profits. Shareholders equity, after the recent stock market fall, is estimated at SF5bn. William Hall, Zurich

FOOD RETAILING

Ahold confident of approval

Ahold, the Dutch supermarkets group, said yesterday it believed sale proposals for ten US stores, linked to its acquisition of Giant Food, would gain regulatory approval. The US Federal Trade Commission indicated in August that Ahold must divest the stores ahead of finalising its acquisition of Giant.

"Ahold has now located buyers and received preliminary indications from FTC staff that the divestiture buyers for all 10 stores and the signed purchase and sale agreements are acceptable," Ahold said. Six of the stores that will be sold are operated by Giant Food Inc, the other four by Martin's, a name used by Giant Food Stores, an unrelated supermarket chain Ahold acquired in 1981. Reuters, Zaandam

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WDR to recruit mainly through the internet

By Clay Harris, Banking Correspondent

Warburg Dillon Read, the Swiss-owned investment bank, has made the internet its main gateway for graduate recruitment.

Online application will be compulsory except for candidates from Switzerland and the US, although they will be strongly encouraged to do so. WDR is the first investment bank to introduce such a system globally, according to Darrin Moy, who is responsible for its graduate recruitment.

The move into cyber-recruitment shows how much has changed at a bank that until recently placed its faith in graphology - handwriting analysis - to decide whose faces would fit.

The system would enable WDR to introduce a common worldwide standard and to speed up the process of submitting, considering and answering applications, Mr Moy said. Face-to-face interviews and on-site visits would still be part of the selection process.

WDR expects the on-line system to reduce the number of candidates, because the effort involved in filling in an application would weed out all but the serious. Worldwide, the bank

receives about 25,000 applications annually for 320 graduate positions and a similar number of summer internships. In most years, up to 50 per cent of interns - who are also to apply via the internet - are offered permanent jobs, according to Mr Moy.

The application form, which was posted yesterday on the internet, is reached by selecting "careers" on the investment bank's home page, www.wdr.com.

WDR urges applicants to allow up to two hours to fill in the form, which asks for personal data and includes open-ended and multiple-choice questions. The form need not be completed at one sitting, as an identification number allows access to partially finished or completed applications.

Because all blanks must be filled in before moving to the next page, an applicant cannot peek ahead. Answers can be changed after each page, or even the full application, has been submitted.

Would-be job hoppers from other firms should stay off-line. Mr Moy said: "At this point, it's for the campus only," up to MBA level.

WDR is owned by UBS, the bank created by the merger of Union Bank of Switzerland and Swiss Bank Corporation earlier this year.

Pirelli confident after 7% advance

By Paul Betts in Milan

Pirelli, the Italian tyres and cables group, yesterday reported a 7 per cent increase in first-half net profits, to L254bn (\$162m), and said it expected a full-year figure "in line" with last year's L512bn.

Marco Tronchetti Provera, chairman, said the company was continuing to perform on target in spite of "serious clouds" in the international economic climate. He remained confident about the medium term and said current short-term difficulties could offer growth opportunities in markets outside Europe.

Although Pirelli had built a significant presence in Brazil, the decline in the car market there had so far not affected its overall operations, said Mr Tronchetti Provera. The drop in the country's new-car tyre market had been offset by continuing growth in the replacement market.

Meanwhile, senior executives of Fiat yesterday warned in Madrid that the decline in the Brazilian car market would hit the results of Fiat Auto, the Italian group's main car division. Paolo Cantarella, chief executive, warned that 1999 would "certainly be a difficult year".

Fiat is due to report first-half figures next Tuesday, and Roberto Testore, Fiat Auto managing director, said the figures would contain both positive and negative elements, the latter reflecting the situation in Latin America.

Pirelli's first-half performance has also been helped by the company's limited exposure in Asia, although it was now considering expanding in the region if opportunities arise. However, Mr Tronchetti Provera said there were no imminent investment plans.

Pirelli's first-half group sales rose 2.1 per cent to L5.421bn, with cables and

systems accounting for 49 per cent of the total and tyres for 51 per cent.

Gross operating profit rose more than 7 per cent to L668bn. The increase reflected volume growth, a decline in raw material costs and improved efficiency, all helping to offset continuing price erosion.

Tyre revenues rose 1.7 per cent to L2,747bn, while operating profits in the division were up 23 per cent to L206bn.

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Shareholders vote on Daimler-Benz and Chrysler merger

Approval of the largest industrial link-up is to be decided in vastly contrasting ways, write **Graham Bowley** and **Haig Simonian**

The future of the world's largest industrial merger will be decided today when shareholders of Daimler-Benz and Chrysler vote on whether to approve their companies' link-up at special meetings in Germany and the US.

Up to 16,000 Daimler shareholders will gather in the cavernous Hanns-Martin-Schleyer Hall in Stuttgart to discuss the conditions of the \$40bn merger between Germany's biggest industrial group and the US car company, which was announced in May.

Chrysler's meeting could hardly be more different. Rather than catering for a cast of thousands, the company expects no more than "a couple of hundred" shareholders to appear at 8am in a functional meeting room at the Hotel du Pont in Wilmington, Delaware.

The outcome at Chrysler is a foregone conclusion. The US group's articles of association only require approval by shareholders representing more than 50 per cent of its issued share capital.

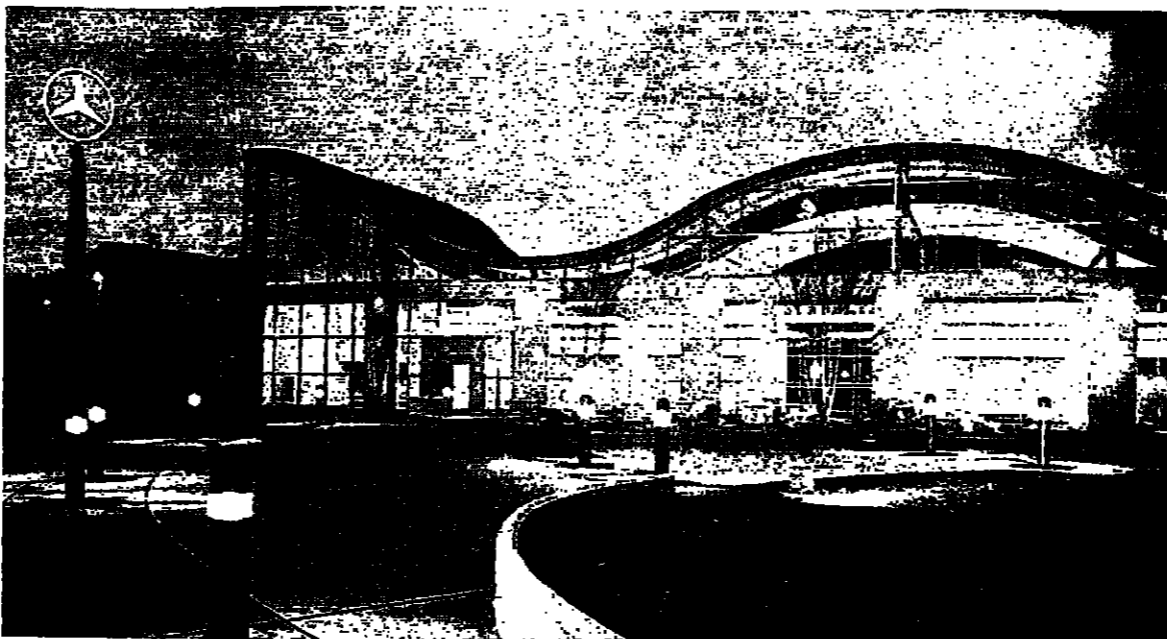
Given the level of support already voiced for the deal, no one is expecting any surprises. Usually, institutional investors do not even bother to turn up in person and send proxy votes by post. Today is unlikely to be any different, and the whole affair should be over within two hours.

In contrast, Daimler-Benz's meeting will be a tortuous process starting at 10am and lasting late into the evening as shareholders interrogate chairman Jürgen Schrempf and the rest of the Daimler board. Unlike the Chrysler meeting, there will be several key voting thresholds in Stuttgart which will be crucial to the deal.

According to German law, Daimler requires approval from 75 per cent of shareholders' capital represented at the meeting to go ahead with the merger.

This 75 per cent level is also important for another reason: it will ensure that shareholders of the German group, which is the larger of the two companies, will hold a majority stake in the new company, DaimlerChrysler.

This is important because



The Mercedes-Benz plant in Vance, Alabama, which houses a museum of cars made by the German carmaker

under US tax rules, Chrysler shareholders will avoid paying federal income tax on the merger only if Daimler holds a majority stake in DaimlerChrysler. Chrysler executives have insisted on this tax-friendly deal for their shareholders as a key condition for securing their approval.

In fact, Daimler should easily get 75 per cent of the votes, but it wants to go further - to breach the 90 per cent voting level. This threshold is important

because without it Daimler-Chrysler would be forced to write off goodwill worth DM1.4bn (\$827m) each year for 40 years. Although this would have no impact on operating profit, it would depress annual net profits. It would be an irritation, but Daimler insists it would press on regardless.

Anyway, Daimler executives are confident they will secure all the votes they need. They can count on the backing of Deutsche Bank and the government of

Kuwait, its two biggest shareholders which together own about 35 per cent of the company.

In addition, it has the support of other large institutional investors and of many thousands of small investors who deposit Daimler shares with Deutsche Bank and have instructed Deutsche to vote on their behalf.

As an inducement to get other shareholders to approve the deal, Daimler has made an offer of one additional DaimlerChrysler

share for every 200 Daimler shares exchanged if the 90 per cent approval level is breached.

As further sweeteners to win shareholders over, Daimler has held out the prospect of higher dividend payments - in line with Chrysler's pay-outs which have traditionally been higher than those of the German group.

In addition, both companies have stressed the enhanced earnings potential of the combined group. They

forecast sales and profits would rise sharply because of buoyant world demand and restructuring within the companies following the merger.

The benefits from restructuring are expected to be especially pronounced within Daimler. The German group expects earnings before interest and tax in its car division to surge from DM2.4bn this year to DM5.9bn in 2000.

Profits in commercial vehicles should increase from DM1.3bn to DM2.3bn. Mr Schrempf will spell this out again at the meeting today.

When the meetings are over, the process of exchanging shares into Daimler-Chrysler stock will begin. Under the deal, Daimler is effectively taking over Chrysler and the US group's shareholders will receive around 42 per cent of the stock in the new company, while Daimler shareholders will get around 58 per cent.

Shareholders will be able to exchange their shares from September 24 until October 23. Shortly after that, probably in the first half of November, trading will begin in DaimlerChrysler shares and the new company will be officially registered.

The new stock will be listed as registered ordinary shares on all leading stock exchanges. The merger will mean an accounting shift for Daimler since it will switch from half-yearly to quarterly business reports. The first quarterly report of Daimler-Chrysler will be published at the end of the first three months of next year.

As at Chrysler's regular annual shareholders' meetings, Bob Eaton, Chrysler chairman, will give a short speech, largely repeating what shareholders have already been told in the statements filed by the company last month.

There will be a brief opportunity for "appropriate" questions. But with only one item on the agenda - the "business combination agreement" with Daimler-Benz the whole affair should be over within two hours - about the same as for a normal shareholders' meeting.

German group cautious on forced-labour issue

Daimler-Benz, the German industrial group, will manage carefully any references to the role it played during the second world war as its merger with Chrysler, the US car company, enters its final phase today, writes **Graham Bowley**.

The issue of slave labour used in Nazi-era factories during the war has become highly sensitive after several German companies - including Daimler - were this month hit by US class-action suits from surviving forced labourers.

The issue is especially important for Daimler as it is linking up with a US company. Sensitivities about

Germany's past are particularly strong in that country.

A leading German activist who successfully represented former prisoners against other big German companies said he was now ready to approach Daimler for talks.

Klaus von Munchausen, a university teacher who was instrumental in forcing Volkswagen, the German car group, to set up a compensation fund last week, said he has been asked by former Jewish slave labourers to talk to Daimler about compensation. He has already held

low-level talks with the company on behalf of the prisoners, who worked for the Mercedes-Benz car and Messerschmidt aircraft divisions during the war.

There are no signs that the issue of forced labourers - or Zwangsarbeiter - will emerge as a key issue at Daimler's shareholder meeting today in Stuttgart.

However, there was concern in the US when the merger was first announced in May that Chrysler was linking up with a German group. Since then, the issue of German companies paying compensation for their war-time activities has

gained momentum.

Several Swiss banks and European insurance companies, including Allianz, have agreed to payments to Jewish groups for their role in the second world war and the Holocaust.

Degussa, the German conglomerate, has been hit by a high-level lawsuit alleging it manufactured gas used in concentration camps.

Daimler has been open about its role during the war, conceding that forced labour was used in its factories to support Hitler's war effort. The group made payments in the 1980s to Jewish groups.

GM to discontinue two models

By Richard Tomkins in New York

General Motors, the biggest US car maker, yesterday announced that it would discontinue two models, the Buick Riviera and the Oldsmobile 88, at the end of the year with the loss of 1,400 jobs.

Both models are made at the company's Orion assembly plant in Oakland County, Michigan. GM said some of the employees affected might find work at other nearby plants.

The move comes soon

after the return to work at the end of a damaging strike that halted production at the company for nearly two months during the summer.

The settlement of the dispute gave GM more latitude to streamline its operations and increase efficiency, in return for undertakings that it would invest in its US plants.

GM's share of the US market has tumbled from 44 per cent in the 1980s to about 30 per cent, but it has failed to cut its brands and product lines to match its declining sales.

In addition, full-size luxury cars such as the Buick Riviera represent only a small part of the market, and sales have been in decline for many years.

Sales of the Riviera, which has a retail price of about \$33,000, tumbled from 21,029 in the 1996 model year to 16,419 in 1997, and GM said it was time to end production. Only 2,000 Rivieras will be made this year, and they will be sold as collectibles.

Production of the Riviera began in 1983, since when about 1m have been made.

But in 1997, it represented less than 4 per cent of total Buick sales.

The less expensive Oldsmobile 88 sells for about \$24,000, and 67,223 were sold last year, accounting for 27 per cent of total Oldsmobile sales.

GM said the discontinuation of the Riviera and Oldsmobile 88 meant production at the Orion plant would be cut from two shifts to one, resulting in the job losses. The Buick Park Avenue and the Oldsmobile Aurora will still be made at the plant.

BIOTECHNOLOGY US GROUP TO SELL UNIT PRODUCING HALF OF ITS \$1.2bn TURNOVER

Chiron to focus on drugs, vaccines

By Glen Cookson, Science Editor

Chiron, the US biotechnology company, will cut its turnover and its workforce by half through the decision, announced yesterday, to sell its diagnostics business to Bayer of Germany for \$1.1bn cash plus substantial future royalties.

The business accounted for \$600m of Chiron's \$1.2bn revenues last year but the company decided it did not have the critical mass ever to become a leader in the highly competitive - and fast consolidating - global diagnostics industry.

It will concentrate now on drugs and vaccines and on its promising blood screening tests, which are not included in the sale to Bayer.

"When I came on board,

we decided to narrow our focus," said Sean Lance, who joined Chiron as chief executive in May. "There was going to be a nice ramp-up in revenues from diagnostics but we did not feel the business would ever reach the scale of the major competitors through organic growth."

Mr Lance, a South African who had been chief operating officer of the UK's Glaxo Wellcome, said Chiron's initial plan was to put the diagnostics business into a joint venture, because the company did not believe it could extract its value through an outright sale.

But negotiations with potential partners showed that there were buyers prepared to pay a full price.

Bayer's diagnostics business, based in Tarrytown, New York, has 4,800 employ-

ees worldwide and sold \$1.1bn of testing equipment and chemicals last year. The addition of Chiron Diagnostics, based in Walpole, Massachusetts, will add 3,000 people and \$800m of sales.

The combined group will be third in the world league of diagnostics companies, behind Abbott of the US and Roche of Switzerland.

Roche completed its takeover of Boehringer Mannheim, the German diagnostics company, early this year. Chiron was one of the original wave of biotechnology companies, founded by biochemists from the University of California in 1981. It has also been one of the most successful. Novartis of Switzerland paid \$2.1bn in 1994 for a 49.9 per cent share and has the right to take a majority stake after 2000.

But Chiron has lost momentum over the past couple of years and the management is concentrating on the core pharmaceutical and vaccine businesses. Diagnostics is the latest and largest in a series of divestments, including the \$300m sale of Chiron Vision to Bausch & Lomb early this year.

"The initiatives put in place by the company are right but we need to take them further, both in a sense of urgency and achievement," said Mr Lance.

Chiron's leading drugs are genetically engineered proteins such as Proleukin to treat advanced cancer and Betaseron for multiple sclerosis. Its blood screening tests, sold through a joint venture with Johnson & Johnson, are helping to eliminate the HIV virus from the blood supply.

NEWS DIGEST

MANUFACTURING

DuPont sells coal mining venture to RWE

DuPont's plans to sell its energy operations and concentrate on higher-margin, less cyclical businesses advanced yesterday with a deal to sell most of its coal interests to RWE of Germany. Consol, a coal mining joint venture between DuPont - the maker of Teflon and Dacron polyester fibres - and RWE subsidiary Rheinbraun, will buy most of DuPont's half share in the company for an undisclosed sum.

The sale of the 44 per cent holding, which will need US, German and Canadian government approval, is expected to be completed by the end of the year, and followed by the disposal of DuPont's remaining 5 per cent share. The move follows DuPont's announcement earlier this year that it was to sell 20 per cent of its stake in the Conoco oil and gas group in an initial public offering planned as a prelude to full disposal.

However, the falling stock market and depressed oil prices have reduced Wall Street's estimates of the value of Conoco, which accounted for almost half DuPont's 1997 revenues of \$45bn. The company had expected to raise at least \$3bn from the sale of the initial tranche, using the proceeds to fund expansion in life sciences businesses.

Consol, which has annual sales of about \$2.3bn, claims to be the third largest coal company in the US. Christopher Parkes, Los Angeles

BANKING

ABN Amro seeks licence return

ABN Amro was last night seeking to overturn the withdrawal of its foreign exchange licence in Surinam, where it is the largest non-domestic bank. The move, by the central bank in the Netherlands' former South American colony, came this week amid allegations that the Dutch bank had breached regulations.

The Amsterdam-based group, which reopened its offices yesterday for local business after a day's closure, has denied wrongdoing but has also accepted there may have been a difference of interpretation in the rules. The authorities are struggling to support the Surinamese guilder, which is tied to the US dollar, in the face of uncertainties in regional emerging markets. Forex business for clients in export-import operations forms the biggest part of ABN Amro's activities in Surinam, which is an important producer of bauxite. Gordon Cramb, Amsterdam



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COMPANIES & FINANCE: UK

Vickers eyes GKN armoured vehicle wing

By Andrew Edgecliffe-Johnson

Vickers is examining ways of trying to buy the armoured vehicles business of GKN, despite the latter's agreement this week to merge its defence business with Alvis, the UK's other armoured vehicles manufacturer.

The group, which this year sold Rolls-Royce Motor Cars and Cosworth engines to focus on defence, marine propulsion and turbine components, yesterday announced more than 1100

job cuts - equal to 22 per cent of its workforce.

The cuts are concentrated in defence, where the Leeds tank factory will close at the cost of 450 jobs, and the Newcastle plant will cut 250 staff.

The cuts formed part of a cost-cutting programme and strategic review, which resulted in £98.8m (£50m) of exceptional charges in the first half of the year, and will create another £30m exceptional charge in the second half.

When asked about GKN

and Alvis, Sir Colin Chandler, the chairman of the Challenger II tank manufacturer, would only say that he had "not ruled out" an attempt to participate in the long-awaited consolidation of the UK's armoured vehicles industry.

It is understood, however, that Vickers remains keen on a combination with GKN, with which it held unsuccessful takeover talks last year.

Sir Colin, who has also examined the possibility of an alliance with Giat of

France, said the priority was to "rationalise our own business, broaden our product range, get access to other markets, and reduce the number of competitors".

Paul Bysse, chief executive since May, said Vickers was pursuing 21 possible acquisitions or alliances. Following the £478m sale of Rolls-Royce Motor Cars to Volkswagen, the group had net cash of £338m at June 30, and analysts estimated that the group could have up to £350m to spend on acquisitions, even once £108m of

customer advances were taken out of the cash figure.

The Rolls-Royce disposal distorted pre-tax profits for the six months to June 30, which shot up from £15m to £141m. Before exceptional items, operating profits were down from £27.7m to £17.1m. The unchanged 2.7p dividend, which is payable from earnings per share of 33p (1997: 1.9p), was covered just 1.3 times by pre-exceptional earnings.

Mr Bysse said the launch of new products had been accelerated in marine and

turbine components, where Vickers expects annual market growth of at least 8 per cent. He is looking to grow the marine propulsion business by acquisition, to expand its product range to include bridge controls and electrical devices.

Defence profits dropped £34m to £7m, as production on its £1.5bn order for Challenger II tanks for the British Army began to wind down. Discontinued businesses reported an operating loss of £4.8m, compared with a £4.7m profit in 1997.

COMMENT

Next

The most significant thing about Next's results yesterday was Sir Brian Pitman's debut as chairman. The figures themselves were predictably downbeat, even if current trading was more cheerful. It remains too soon to pronounce recovery from earlier trading travails, but recovery will surely come: a slowing economy will not help, but the retail skills and brand power that fuelled the formidable nineties growth story have not disappeared.

More telling than any short-term trading runes will be Sir Brian's influence. To hear him muse about retailers' obsession with top-line growth, not bottom-line profits, was to savour the sound of heresy. Next, of course, has previously managed to achieve both. But it is clearly entering a new, more sober phase. It is no criticism of Sir Brian's accomplished predecessor, David Wolfson, to say he has arrived at the right time. With the economy slowing, price inflation absent and competition intensifying, delivering value will not be so easy. Yet this is an area in which Sir Brian's credentials are unimpeachable. The upshot is likely to be a more cautious Next. Earnings growth will be slower, but quality of earnings will be better. On just over 13 times 1998 earnings, the shares trade at a 20 per cent-plus discount to the market. That gap will surely close, although investors may have to wait until next year for positive newsflow to galvanise the rating.

Vickers

Following GKN and Alvis's decision to merge their armoured vehicles businesses, Vickers looks confused, not knowing whether to reduce or increase its exposure to defence. Yesterday's move to sack a fifth of the company's workforce - largely via the closure of its Leeds tank factory - is a rational response to its bleak order book. But simply reducing the headcount will not be enough to improve competitiveness in export markets. It must find a way to join in the industry's consolidation. However, paying a premium in a bid for Alvis would be a surefire way to destroy shareholder value. And European alliances look impractical for now, given obstacles of state and family ownership. Selling out to Alvis looks the best bet, although Sir Colin Chandler, Vickers chairman, may have to accept the business is worth next to nothing. Vickers could do worse than get out for free.

Kwik-Fit buys Speedy Europe posthaste in deal with SMK

By David Blackwell

Kwik-Fit, the tyre and exhaust chain founded by Sir Tom Farmer, yesterday sharply expanded its operations in Europe by agreeing to pay £105m (£176m) cash for Speedy Europe.

Speedy is being sold by SMK, a Canadian-based automotive operation.

Sir Tom, chairman, described Speedy as a clone of Kwik-Fit. "It is one of the nicest fits that any company could have," he said, adding that drivers could now go from Edinburgh to the south of France and never be far from one of his branches.

City analysts welcomed the deal, which adds 568 outlets across Europe to Kwik-Fit's 1,291 branches, predominantly in the UK. They pointed out that the acquisition's margins were only

about half the level of Kwik-Fit's existing business in the Netherlands and Belgium.

The deal would be earnings enhancing in the first full year, and have a neutral effect on the remainder of this year, he said. It would give the group a big presence in France and Germany, add the French speaking part of Belgium and offer a toehold in the emerging market in Spain.

"Strategically, it is very pleasing," said Ed Wright, of Dresdner Kleinwort Benson, adding that it would be a further bonus if Kwik-Fit succeeded in taking its new insurance selling operation to the Continent.

The news was announced alongside a 31 per cent rise in pre-tax profits to £33m for the six months to August 31 on sales 5 per cent up at

£251.7m. The shares responded with one of the best performances in the FTSE-250 yesterday, rising 19.4p to close at 467.5p.

Speedy had sales of £147m last year, when the impact of a loss-making automotive parts business left it £2.5m in the red.

Sir Tom said Speedy itself was making an operating profit, and the acquisition did not include the loss-making business. The Speedy brand was as strong in France as Kwik-Fit was in the UK, so there would be no name change. But he would be looking to establish some sort of common identity.

Speedy, with 378 French outlets, sells more exhausts and brakes than it does tyres, which have lower margins. Kwik-Fit has been trying to boost its brake business in the UK.

The acquisition will soak up Kwik-Fit's net cash of £25.9m and leave it with gearing of between 40 and 50 per cent. But analysts said that even after paying for Speedy, the group would have enough financial muscle to continue its organic expansion.

Plans include a second call centre to cope with demand for its insurance business, which was launched in 1995 and has grown to generate profits of £5m on sales of £21m in the first half. It has introduced an MOT insurance policy and is looking to expand its products. Kwik-Fit also opened a staff training academy in March.

Analysts are forecasting that group full-year profits will hit £64m this year, growing to £74m the following year as Speedy starts to kick in.



Sir Tom Farmer: 'One of the nicest fits'

Next feels pinch with sales slowdown

By Peggy Hollinger

Next shares fell sharply yesterday as the high street fashion retailer reported disappointing sales increases over recent weeks and signalled a slowdown in the pace of growth in its mail-order business.

The group, which issued a profits warning in March,

also reported a 30 per cent drop in pre-tax profits from £71.2m to £50.2m (£84.3m), in line with expectations. Sales rose from £520.9m to £536.2m for the six months to July 31.

However, sales of only a 1 per cent rise in like-for-like store sales over the first six weeks of the second half, and a 3 per cent increase in

mail order, helped drive the shares 37.5p lower to 407p, their lowest point since early 1995.

Analysts, who had been expecting current sales increases of between 4 and 5 per cent, cut their full-year forecasts by about £5m to a range of £158m-£165m (£184m). "They have gone from over-stocking to under-

stocking and the more conservative stance will not grow their like-for-like sales going forward," said Tony Shire of CSFB.

However, David Jones, chief executive, said he was "a lot happier" than he had been six months ago, when Next admitted that mistakes in its ranges and stocks had contributed to a sales fall.

Oil price slump hits BAe Saudi project

By Andrew Edgecliffe-Johnson

Shares in British Aerospace fell by 10 per cent yesterday, after the group disclosed that the fall in oil prices had cut the value of payments under the £20bn Al Yamamah defence contract with Saudi Arabia by at least £500m (£840m).

Sir Richard Evans, chairman, insisted that the Saudi government would make up the shortfall, estimated by analysts at £500m-700m, with a cash payment before the end of the year. "Never in my many years of dealing with Al Yamamah has the customer failed to meet his commitments to make good any outstanding cash balances," he said.

The £2bn-plus annual payments from Al Yamamah include 600,000 barrels of oil

per day, which are sold on BAE's behalf. The "timing variances" resulting from the falling oil prices meant that BAE's working capital requirements effectively shifted from a surplus of £145m in 1997 to a deficit of £518m for the six months to June 30.

Most analysts said there was no reason to suppose that BAE would not receive the top-up payments in good time.

The group's interim results, announced yesterday, showed a 24 per cent improvement in pre-tax profit before exceptional items to £344m.

Its sale of a 16 per cent stake in Orange, the telecoms group, and the disposal of its interest in Orion Network Services, a satellite communications business,

created an exceptional £401m gain which took pre-tax profits to £725m, compared to a £70m loss the year before.

The order book increased from £19.5bn to £23.8bn, or the equivalent of three years' sales. Sir Richard said: "In today's economic conditions, for BAE to announce yet another record level of order book is a remarkable achievement."

BAE expects to sign a further contract today for 142 Eurofighter aircraft, worth more than £1bn. John Weston, chief executive, said the group's strategy remained unchanged, and that it was "talking to all the major players" about European defence consolidation. This would be "a means to an end," he said, with BAE's 10-15 year goal being to form part of the two

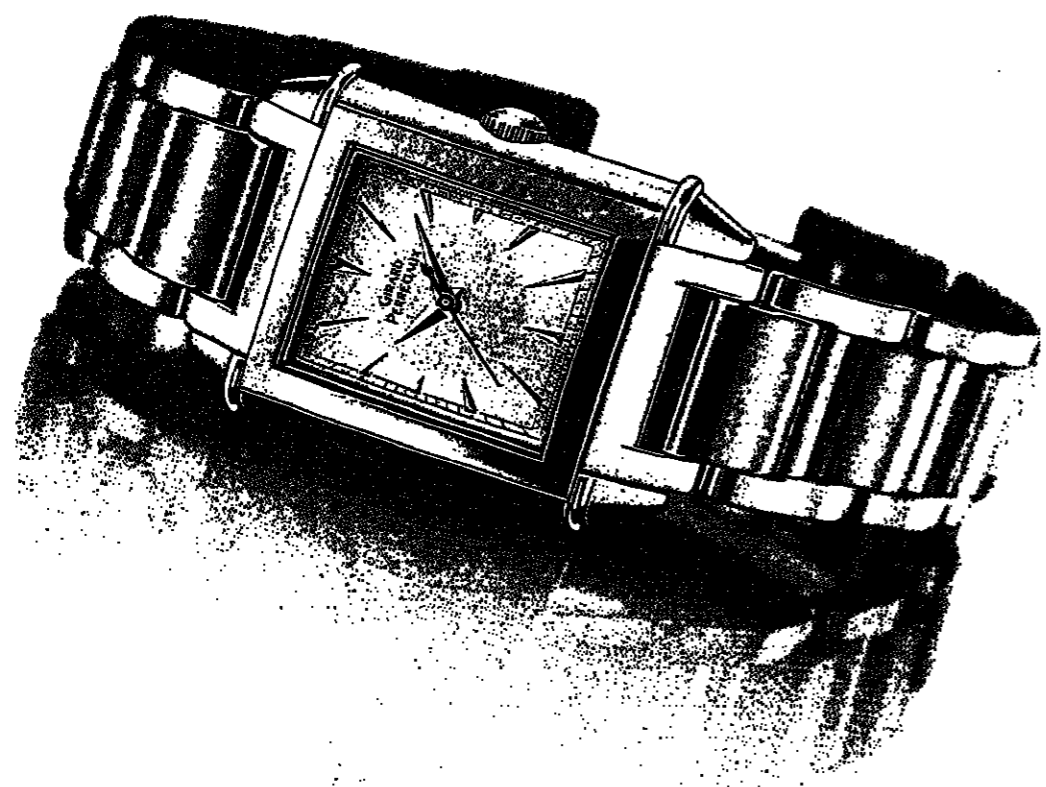
or three largest global defence companies, he said. Although BAE had been "talking for some time to our US partners," the timing would depend on the US defence department.

Mr Weston added that he saw potential benefits in a merger with GEC, its UK rival, but "no talks are in prospect at present".

Commercial aerospace, defence systems and support services would be BAE's three main growth areas, he said. The commercial division, which has lost BAE about £3bn this decade, came into the black, with an £8m profit before interest, contrasted to last year's £20m loss. Losses on regional jets partly offset higher profits from Airbus Industrie, in which BAE has a 20 per cent stake.

VINTAGE 1945

Lady



GP
GIRARD-PERREGAUX

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RESULTS

| | Turnover (£m) | Pre-tax profit (£m) | EPS (p) | Current dividend (p) | Date of payment | Dividends Corresponding dividend | Total for year | Total last year |
|---------------------|-------------------|---------------------|-----------------|----------------------|-----------------|----------------------------------|----------------|-----------------|
| Barbican Healthcare | 6 mths to June 30 | 3 (1.68) | 0.011 | (0.081) | 0.051 | (0.381) | - | - |
| Bovis Homes | 6 mths to June 30 | 97.5 (111) | 18.9 (14) | - | 3.33 | Nov 27 | - | - |
| British Aerospace | 6 mths to June 30 | 4,237 (3,871) | 725p (701p) | 28.7 (41.1) | 2.25 | Nov 30 | 1.96 | 4.88 |
| Cape | 6 mths to June 30 | 115.4 (118.7) | 4.6 (4) | 5.1 (4.9) | 3.25 | Nov 13 | 3 | 6.5 |
| Delphian Packaging | 6 mths to June 30 | 24.1 (21.7) | 3.75 (3.2) | 11.18 (8.53) | 5.3 | Nov 8 | - | 8.2 |
| Dunelm Eware | 6 mths to June 30 | 13.8 (6.4) | 2.55 (0.45) | 0.53p (0.44) | - | - | - | - |
| Falck | 6 mths to June 30 | 18.9 (20.1) | 1.5 (2.2) | 3.11 (4.57) | 0.81 | Dec 1 | 0.753 | 2.092 |
| Geant | 6 mths to July 4x | 262.1 (227.3) | 12.7 (12.7) | 13.3 (12.5) | 4.8 | Dec 31 | 4 | 10 |
| Self Club | 6 mths to June 28 | 0.867 (0.618) | 0.175p (0.248p) | 0.011p (0.59) | - | - | - | - |
| Healy | 6 mths to June 30 | 157 (22.1) | 15.2 (16.2) | 26.4 (25.9) | 8 | Oct 16 | 5.5 | 16.5 |
| Irish Life | 6 mths to June 30 | - | 140.2 (101) | 30.5 (20.46) | 4.3 | - | 3.9 | 13.2 |
| Kwik-Fit | 6 mths to Aug 31 | 251.7 (240) | 33 (25.1) | 13.4 (10) | 2.66 | Oct 16 | 2.35 | 6.5 |
| Leeds Sporting | Yr to June 30 | 28.5 (22.8) | 0.84 (0.23) | 0.23 (1.52) | - | - | - | - |
| MDS | 6 mths to June 30 | 65 (65) | 0.397p (0.311) | 0.161 (0.82) | - | - | - | - |
| Morison (Wm) | 6 mths to Aug 2 | 1,124 (1,108) | 85.3 (61.7) | 5.47p (4.96) | 0.45 | Nov 9 | 0.4 | 2.1 |
| MFL Instruments | 6 mths to June 30 | 22.4 (20.6) | 2.74 (2.61) | 9.3 (8.8) | 2.5 | Oct 20 | 2.3 | 5.5 |
| Next | 6 mths to July 31 | 536.2 (520.9) | 50.2 (71.2p) | 9.8 (13.9) | 6.5 | Jan 2 | 6 | 18 |
| Principals | 6 mths to June 30 | 24.9 (30.2) | 0.82p (0.753p) | 0.75 (0.79) | 0.15 | Nov 9 | 0.4 | 0.55 |
| Quayle Brown | 6 mths to June 30 | 0.963 (1.08) | 0.375p (0.375p) | 20.38 (21.41) | 8.4 | Nov 10 | 21 | 12.6 |
| RMC | 6 mths to June 30 | 2,113 (2,084) | 112.2 (115.9) | 25.3 (25.9) | 8.5 | Dec 1 | 8.2 | 3.6 |
| Sterwood | 6 mths to June 28 | 72.6 (76.1) | 3.16 (3.13) | 1.3 (1.38) | 1.3 | Nov 26 | 1.3 | 28 |
| SIG | 6 mths to June 30 | 375.4 (277.2) | 16.1 (14.7) | 9.11 (8.6) | 2.8 | Nov 17 | 2.6 | 7.8 |
| Tesco Computers | Yr to May 31 | 14.7 (17.3) | 1.21p (0.635p) | 6.11 (3.25) | - | - | - | - |
| Trinity | 6 mths to June 28 | 160 (160) | 52.1p (32.9) | 17.9 (16.1) | 4.4 | Oct 30 | - | 13.2 |
| Turkey | 6 mths to June 30 | 4.48 (3.51) | 0.085p (0.086p) | 0.351p (0.43) | - | - | - | 0.2 |
| UCM | 6 mths to June 30 | 22.2 (22.3) | 2.11 (1.91) | 5.3 (4.7) | 1.9 | Oct 21 | 1.8 | 5.5 |
| Usher (Frank) | Yr to May 31 | 23.6 (21.9) | 2.17 (2.15) | 20.1 (19.7) | 7 | Nov 4 | 7 | 11 |
| Vickers | 6 mths to June 30 | 528.5 (567.9) | 140.1p (15) | 33 (19.7) | 2.7 | Oct 22 | 2.7 | 7.2 |
| WML | 6 mths to June 30 | 3.84 (2.2) | 0.081p (0.422p) | 0.51 (1.2) | - | - | - | - |
| Woolstonhouse Plc | 6 mths to June 30 | 41.3 (42) | 3.61 (3.62) | 32 (28.5) | 10.5 | Nov 10 | 10 | 27 |

| | NAV (p) | Attributable Earnings (£m) | EPS (p) | Current dividend (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---------------------------|-------------------|----------------------------|---------------|----------------------|-----------------|------------------------|----------------|-----------------|
| Dresdner Kleinwort Benson | 6 mths to July 31 | 244.6 (194.1) | 0.085 (0.012) | 2.04 (1.4) | 1.4 | Oct 30 | 1.3 | 2.6 |
| Tor | Yr to July 31 | 2,469 (2,038) | 1.6 (1.82) | 39.9 (45.4) | 12 | Nov 13 | 11 | 45 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. *On increased capital. *Non stock. *Comparatives restated. *Comparatives for 27 weeks. *Comparatives pro forma. *Excludes second interim of 6p. *Foreign income dividend. *On reduced capital. *Strat currency.

The Royal Bank of Scotland Group plc

US \$400,000,000
UNDATED FLOATING RATE
PRIMARY CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 18th September 1998 to 18th March 1999, the Notes will bear a Rate of Interest of 9.65366 per cent per annum.

AGENT BANK:

Charterhouse Bank Limited

is regulated by The Securities and Futures Authority



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Correlation Notes
Atlas Capital Limited
FF 3,800,000,000
Guaranteed Floating Rate Notes
due 1999
used exclusively and irreversibly secured and guaranteed by the payment of principal and interest pursuant to a structured primary insurance policy issued by
MBIA Insurance Corporation
For the Interest Period 22nd June 1998 to 21st September 1998 the Notes will carry a Rate of Interest of 1.05954 per cent per annum. The Coupon Amount per FF 10,000 Note will be FF 43.27, for the FF 10,000,000 will be FF 432.71 and for the FF 1,000,000 will be FF 43.27. The public will be FF 43.27. The public will be FF 43.27.

SPANISH 4% EXTERNAL LOAN (1974 ISSUE)

The coupons due on 1st October 1998 may be presented for payment at
Banco Exterior de España SA
1-4 Great Tower Street
London EC3R 5AF
between the hours of 10am and 2pm
London 18th September 1998

INTERNATIONAL CAPITAL MARKETS

Prices rise strongly as equities fall

GOVERNMENT BONDS

By Khazem Merchant in London and John Labate in New York

Prices rallied strongly in Europe and the US yesterday as equities fell on the back of comments on Wednesday after Mr Greenspan's testimony before Congress.

The Fed chairman's remarks did little to suggest that a rate cut would occur soon, but bond prices rose as the discussion turned to issues of global deflation.

Analysts said price movements in the Treasury market were mostly being influenced by changes in equity prices.

Important domestic US economic reports were released in the morning session.

The consumer price index

5.187 per cent. Treasury bills fell but the 10-year note climbed 3/8 to 106 1/2, yielding 4.796 per cent, and the two-year note was up 1/8 at 100 1/2, yielding 4.833 per cent.

The market added to its sharp gains made on Wednesday after Mr Greenspan's testimony before Congress.

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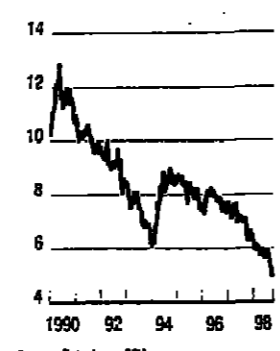
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Important domestic US economic reports were released in the morning session.

The consumer price index

UK 10-year gilt yield

Per cent



Source: Datastream/FT

rose 0.2 per cent in August, a stronger reading than some had expected. Excluding the volatile food and energy sectors, the CPI was also up 0.2 per cent.

In a separate report, the US trade deficit was shown

to have widened by a smaller than expected 2.1 per cent to \$13.9bn in July.

In UK GILTS, the December futures contract closed at 114.25, up 0.77. In the cash market the yield on 10-year gilts touched a low of 5.0 per cent and the yield on the December 7 1/2 per cent 2007 bond fell to 4.97 per cent.

The FTSE 100 closed down 3 per cent, its fifth-biggest one-day points drop.

Gilts were also buoyed by slowing retail sales, which were in line with market forecasts and encouraged expectations of a cut in UK interest rates. Turnover on Liffe was 72,000 contracts.

"This is more evidence of the UK slowing and of inflation being capped. There is potential for an easing of monetary policy," said

James Mitchell, senior strategist at Nomura.

In GERMAN BONDS, the December futures contract closed at 114.25, up 0.77. In the cash market the yield on 10-year bund futures fell to 3.94 per cent, a post-war record, on turnover of 560,000 contracts.

The bund rally was strongly influenced by the IFO index of business sentiment.

That came in well below market expectations, undermining Bundesbank suggestions earlier this week that strong domestic demand would steer the economy through the current turmoil.

"The trends in individual markets are being manifested globally," said Mr Fishwick, international economist at Nikko Securities in London.

OTE opts for MTNs to finance purchases

By Karin Hope in Athens

OTE, Greece's public telecommunications operator, plans to finance the acquisition of equity stakes in other Balkan operators through issuing up to \$1.1bn in medium-term notes.

George Karapilis, finance director, said yesterday the company was looking for a "more flexible way of covering future investment requirements" than the convertible bond issue it was considering earlier this year.

Merrill Lynch and Morgan Stanley have been appointed as advisers for the MTN programme, but no launch date has been set.

OTE is bidding for a 35 per cent stake in RomTelecom, the Romanian state operator due to be privatised this year. It also intends to bid for 51 per cent of Bulgarian Telecoms company, which is being offered for sale next month.

Its regional expansion plan also includes Moldova and Macedonia, which have both launched privatisation procedures for their state telecoms operators.

"We can't budget far in advance because we don't know when or whether our bids will be successful," Mr Karapilis said. "An MTN programme makes it possible to raise sizeable sums at relatively short notice."

All four sales of Balkan operators were due to be completed by mid-year, but timetables have been hit by political instability and administrative delays.

Moody's, the US credit rating agency, is understood to have given OTE an investment grade rating of Baa1 for foreign currency debt, the same as Greece's sovereign rating.

NEWS DIGEST

RUSSIAN DEBT

Sibneft refinances \$54m foreign short-term loan

Sibneft, Russia's seventh biggest company and one of the main integrated oil groups, has successfully refinanced a \$54m short-term foreign loan in spite of the Russian financial crisis. Eugene Shvidler, Sibneft president, yesterday said the refinancing was made possible by the strength of the company's relationship with several European banks. Sibneft had recently helped some western banks to recover funds from other Russian companies, he said.

The interest rate on the new loan is thought to be several percentage points above the 8 per cent level of the previous borrowing. Mr Shvidler expressed confidence that Sibneft would be able to arrange further fresh loans in the near future. Sibneft also announced that it would use its own resources to redeem in full a \$200m six-month promissory note issued on its behalf by Salomon Brothers in March.

Mr Shvidler also disclosed that Elf Aquitaine, the French oil group that recently made a public statement saying it was no longer seeking an equity stake in Sibneft, was in fact trying to take advantage of the Russian financial crisis to "get Sibneft assets cheaper". Asked whether Elf's actions would influence Sibneft's attitude towards future dealings with the French group, Mr Shvidler said: "It will definitely affect our view of them, absolutely."

Robert Corzine

CREDIT RATINGS

S&P lowers Slovakia to BB+

Standard & Poor's, the US credit rating agency, yesterday lowered its rating of Slovakia from investment to speculative grade only days before next weekend's general election. The downgrade, from BBB- to BB+, follows a similar action by Moody's, the rival US rating agency, earlier this year. Only Romania and Bulgaria are now rated lower than Slovakia among the countries from central Europe applying for membership of the European Union.

S&P said that the downgrade reflected the "inconsistent" economic policies being pursued by the Slovak government led by prime minister Vladimir Meciar. The combination of an expansive fiscal policy, a pegged exchange rate and a tight monetary policy had led to rising deficits in both the state budget and the current account of the balance of payments, which were being financed by foreign borrowings.

Foreign debt rose to more than \$11bn in the first half of 1998 and was forecast to reach about \$12bn by the end of the year. The projected debt ratio of 60 per cent of gross domestic product and 96 per cent of exports were more than 20 percentage points higher than only two years ago, said S&P.

The Slovak downgrade follows S&P's decision this week to downgrade Russia by one notch to CCC minus. Kevin Done, East Europe Correspondent

DtA launches dollar global

INTERNATIONAL BONDS

By Vincent Boland

As markets around the world continued to gyrate, the AAA rated international bond market provided one area of relative stability, continuing to see strong demand for top-quality paper in liquid issues.

Capitalising on that demand, Deutsche Ausgleichsbank (DtA) launched its first dollar global - a \$1bn, five-year issue priced to yield 5 1/2 basis points over the comparable US Treasury.

The German state-owned development bank, compared to KfW and backed by the triple-A sovereign rating, provides loans to small and medium enterprises.

DtA is already well-known among European investors

but had held roadshows in the US earlier this week with the aim of luring a wider investor base.

"This was a strategic issue to attract US investors," said a banker at Salomon Smith Barney, joint lead with Lehman Brothers.

The leads said 35-40 per cent of the issue was sold to US investors following meetings between DtA and individual investors during the roadshow. About 45-50 per cent went to traditional European investors, with the rest going to Asian buyers.

The bonds were launched early yesterday with price development bank, compared to KfW and backed by the triple-A sovereign rating, provides loans to small and medium enterprises.

DtA is already well-known among European investors

New international bond issues

| Borrower | Amount \$m | Coupon % | Price | Maturity | Yield % | Spread bp | Book-runner |
|---------------------------|------------|----------|----------|----------|---------|-------------------|----------------------|
| US DOLLARS | | | | | | | |
| Deutsche Ausgleichsbank | 1bn | 5.125 | 99.881R | Sep 2003 | 0.25R | +585 1/2 (Aug 03) | Lehman/Salomon SB |
| DOYU 1998-2001 (R)* | 150 | 6.5 | 100.00 | Dec 2005 | 0.25 | +250 1/2 (May 03) | HSBC Markets |
| World Bank | 200 | 5.75 | 102.624R | Feb 2008 | 0.325R | +525 1/2 (May 01) | Artsas/KBC Bank |
| Banco Overseas | 60 | 5.25 | 100.132R | Nov 2001 | 0.25R | | |
| STERLING | | | | | | | |
| World Bank | 150 | 7.125 | 100.255 | Jul 2007 | 0.325 | | Warburg Dillon Read |
| Residential Mgt Secs 4(c) | 151 | 6.1 | 99.82R | Sep 2008 | 0.25R | | Barclays Capital |
| European Inv'tment Bank | 75 | 6.25 | 104.045 | Dec 2008 | 0.325 | | HSBC Markets |
| European Inv'tment Bank | 75 | 6.00R | 107.522 | Dec 2008 | 0.45 | | Barclays Capital |
| YEN | | | | | | | |
| Nomura Global Funding | 200n | 0.90R | 99.97 | Sep 2002 | 0.40 | | Nomura International |
| EURODOLLARS | | | | | | | |
| Nomura Global Funding | 200 | 3.80R | 99.97 | Sep 2002 | 1.00 | | Nomura International |
| DABSAI FINANCER | | | | | | | |
| Transtel Invest Int | 400 | 5.00R | 100.22 | Dec 2004 | 1.875 | | Generale Bank |
| IRISH POUNDS | | | | | | | |
| Crims No 2, Class A/B/C | 188 | 6.1 | 99.06R | Aug 2030 | 0.16R | | Warburg Dillon Read |
| GREEK DRACHMA | | | | | | | |
| GECC | 100n | 9.25 | 99.58R | Oct 2001 | 0.1875 | | TD Securities |

Final terms, non-callable unless stated. Yield spread over relevant government bonds at launch supplied by lead manager. *Unlisted. † Floating-rate notes. *Semi-annual coupon. R: fixed re-offer price; less shown at re-offer level. a) Fungible with \$2.3bn. Plus 225 days accrued. b) Fungible with \$300m. Plus 52 days accrued. c) Fungible with \$38.8m. Plus 13 days accrued. d) Fungible with \$2.6m. Callable from Sep 03 at par. (1) 3-month Libor + 180bp. (2) Class B of \$5.5m and Class M of \$2.1m were privately placed. c) Fungible with \$200m. Plus 245 days accrued. d) Payments in Euro prior to Euro. e) Banc One Helco Trust. Secured on mortgages. Average life: 3.43 yrs. f) 1-1/2 month LIBOR + 250bp. g) Fungible with \$100m. Plus 180 days accrued. h) Collateral Residential First Mortgage Securities. Originator: First Active plc. Collateral: Aug 05 at par. h) 3-month Libor + 250bp to Aug 06, then +50bp. i) Class B of \$121m priced on 1/25/98. j) Over interpolated yield. k) Long 1st coupon. l) Short 1st coupon.

priced in line with existing DtA paper, which trades a little behind KfW mainly because of the latter's better name recognition.

Bankers said investors were increasingly prepared to get back into the market, but they were only buying triple-A paper.

"Investors have seen a big build-up of cash and are looking to come back in, but only for AAA rated and dollar issues," one said.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

| Country | Ref date | Coupon | Bid price | Bid yield | 10y chg | 10y yield | 10y chg | 10y yield |
|-------------|----------|--------|-----------|-----------|---------|-----------|---------|-----------|
| Sep 17 | | | | | | | | |
| Australia | 01/01 | 8.750 | 108.2179 | 4.93 | +0.09 | -0.09 | -0.33 | +0.27 |
| Spain | 08/08 | 8.750 | 106.8307 | 5.28 | +0.05 | -0.05 | -0.21 | -0.78 |
| Austria | 07/00 | 5.875 | 103.7900 | 3.68 | | +0.10 | -0.25 | -0.36 |
| Belgium | 01/00 | 5.250 | 105.3500 | 3.88 | -0.07 | -0.07 | -0.40 | -1.36 |
| Belgium | 03/08 | 5.750 | 111.5400 | 4.25 | -0.06 | -0.07 | -0.43 | -1.41 |
| Canada | 03/00 | 5.000 | 99.8900 | 5.22 | -0.03 | +0.11 | -0.12 | +0.25 |
| Canada | 06/00 | 5.000 | 105.5500 | 5.38 | -0.01 | -0.01 | -0.38 | -0.51 |
| Denmark | 11/00 | 5.000 | 108.5300 | 4.62 | +0.08 | +0.13 | -0.54 | -0.11 |
| Denmark | 11/07 | 7.000 | 119.9900 | 4.87 | | +0.02 | -0.08 | -1.48 |
| Finland | 01/00 | 5.000 | 102.3441 | 3.89 | +0.05 | +0.04 | -0.34 | -0.87 |
| Finland | 04/08 | 5.000 | 112.6878 | 4.25 | +0.07 | +0.07 | -0.38 | -1.45 |
| France | 01/00 | 4.000 | 100.2500 | 3.55 | +0.01 | +0.11 | -0.22 | -0.53 |
| France | 04/05 | 7.500 | 127.0200 | 3.82 | -0.04 | -0.04 | -0.47 | -1.30 |
| France | 04/08 | 5.250 | 109.8900 | 4.17 | +0.07 | -0.06 | -0.46 | -1.38 |
| France | 04/09 | 5.000 | 108.5200 | 4.48 | -0.06 | -0.11 | -0.30 | -1.26 |
| Germany | 03/00 | 4.000 | 100.7900 | 3.43 | -0.11 | +0.14 | -0.22 | -0.50 |
| Germany | 10/05 | 8.000 | 115.2700 | 3.98 | +0.03 | +0.02 | -0.41 | -1.23 |
| Germany | 01/00 | 5.250 | 105.7300 | 3.88 | -0.07 | -0.08 | -0.42 | -1.50 |
| Germany | 01/08 | 5.250 | 111.7000 | 4.08 | -0.06 | -0.06 | -0.25 | -1.35 |
| Ireland | 10/01 | 5.000 | 107.3800 | 3.91 | | +0.08 | -0.42 | -1.62 |
| Ireland | 08/08 | 5.000 | 113.1200 | 4.34 | -0.04 | -0.08 | -0.48 | -1.77 |
| Italy | 04/01 | 4.500 | 101.4900 | 3.87 | -0.03 | +0.08 | -0.38 | -1.62 |
| Italy | 05/03 | 4.750 | 102.9100 | 4.08 | -0.02 | +0.08 | -0.35 | -1.65 |
| Italy | 05/08 | 5.000 | 105.7300 | 4.26 | -0.05 | -0.05 | -0.46 | -1.86 |
| Italy | 11/07 | 6.500 | 118.7200 | 5.23 | -0.04 | -0.04 | -0.70 | -1.83 |
| Japan | 03/00 | 5.400 | 109.1800 | 0.23 | | -0.01 | -0.20 | -0.24 |
| Japan | 06/03 | 5.000 | 118.5500 | 0.54 | -0.05 | -0.10 | -0.37 | -0.93 |
| Japan | 09/05 | 3.000 | 110.5200 | 0.72 | -0.08 | -0.17 | -0.49 | -1.28 |
| Japan | 01/08 | 3.250 | 113.5700 | 0.81 | -0.12 | -0.12 | -0.84 | -1.61 |
| Netherlands | 05/00 | 4.000 | 108.4600 | 3.58 | -0.04 | +0.12 | -0.24 | -0.51 |
| Netherlands | 07/08 | 5.250 | 109.0400 | 4.11 | -0.08 | -0.09 | -0.46 | -1.42 |
| New Zealand | 02/01 | 8.000 | 104.4215 | 5.94 | | -0.04 | -0.56 | -1.15 |
| New Zealand | 11/06 | 8.000 | 112.8889 | 5.98 | -0.05 | -0.20 | -0.31 | -0.82 |
| Norway | 01/00 | 5.000 | 108.2900 | 7.79 | -0.04 | -0.15 | -1.89 | -3.38 |
| Norway | 01/07 | 6.750 | 108.7500 | 5.41 | -0.04 | -0.04 | -0.44 | -0.42 |
| Portugal | 03/00 | 5.375 | 102.9800 | 3.56 | -0.04 | -0.01 | -0.48 | -1.53 |
| Portugal | 06/09 | 5.375 | 107.0200 | 4.26 | -0.05 | -0.10 | -0.40 | -1.71 |
| Spain | 04/00 | 6.250 | 104.2900 | 3.92 | -0.03 | -0.05 | -0.33 | -1.21 |
| Spain | 01/08 | 6.000 | 112.1000 | 4.38 | -0.05 | -0.05 | -0.35 | -1.83 |
| Sweden | 05/00 | 10.250 | 109.0800 | 4.27 | +0.03 | +0.02 | -0.05 | -0.56 |
| Sweden | 05/08 | 6.500 | 113.1800 | 4.75 | +0.01 | -0.01 | -0.02 | -1.63 |
| Switzerland | 03/00 | 5.000 | 104.9700 | 1.53 | -0.08 | -0.08 | -0.43 | -0.20 |
| Switzerland | 06/07 | 4.500 | 114.0700 | 2.67 | +0.07 | -0.05 | -0.10 | -0.88 |
| UK | 11/01 | 7.000 | 102.8516 | 5.64 | -0.10 | -0.12 | -0.88 | -1.14 |
| UK | 12/01 | 8.000 | 106.7980 | 5.21 | -0.12 | -0.11 | -0.85 | -1.33 |
| UK | 12/07 | 7.250 | 116.7500 | 4.96 | -0.12 | -0.15 | -0.63 | -1.78 |
| UK | 12/08 | 6.000 | 120.0313 | 4.74 | -0.10 | -0.18 | -0.89 | -1.81 |
| US | 05/00 | 5.000 | 101.1922 | 4.75 | -0.08 | -0.09 | -0.61 | -1.05 |
| US | 05/03 | 5.000 | 102.2528 | 4.71 | -0.05 | -0.09 | -0.88 | -1.35 |
| US | 05/08 | 5.625 | 108.4305 | 4.78 | -0.08 | -0.04 | -0.83 | -1.31 |
| US | 11/07 | 6.125 | 112.4810 | 5.28 | -0.02 | -0.01 | -0.33 | -1.11 |
| US | 01/08 | 4.000 | 100.5500 | 3.67 | -0.03 | +0.04 | -0.30 | -0.82 |
| US | 04/08 | 5.250 | 108.5300 | 4.15 | -0.08 | -0.05 | -0.45 | -1.62 |

London closing. *New York day close. Source: Interactive Data/FT Information. Bid price. Local market standard settlement basis. Values shown for bid price excluding bid at 12.5 per cent payable by non-customer.

10 YEAR BENCHMARK SPREADS

| | Bid | Spread vs T-Bonds | Spread vs T-Bonds | Bid | Spread vs T-Bonds | Spread vs T-Bonds | |
|-------------|------|-------------------------|-------------------------|-------------|-------------------------|-------------------------|-------|
| Sep 17 | | | | | | | |
| Australia | 5.32 | +1.38 | +0.51 | New Zealand | 5.98 | +0.04 | +1.17 |
| Austria | 4.22 | +0.28 | -0.29 | Norway | 5.34 | +1.40 | +0.53 |
| Belgium | 4.26 | +0.34 | -0.53 | Portugal | 4.39 | +0.45 | -0.42 |
| Canada | 5.25 | +1.31 | +0.44 | Spain | 4.50 | +0.56 | -0.31 |
| Denmark | 4.67 | +0.73 | -0.14 | Sweden | 4.77 | +0.83 | -0.04 |
| Finland | 4.36 | +0.42 | -0.43 | Switzerland | 2.89 | +1.85 | -1.52 |
| France | 4.44 | +0.19 | -0.20 | UK | 4.88 | +0.84 | -0.38 |
| Germany | 3.95 | - | -0.87 | US | 4.01 | +0.87 | - |
| Ireland | 3.55 | +0.41 | -0.48 | EU | 4.18 | +0.25 | -0.62 |
| Italy | 4.46 | +0.50 | -0.37 | | | | |
| Japan | 0.99 | -1.04 | -3.51 | | | | |
| South Korea | 4.11 | +0.17 | -0.70 | | | | |

Source: Interactive Brokers, New York information
Data as of 10:00 AM, September 17, 2013
Annualized yield, %

COMMODITIES & AGRICULTURE

Pulp producers still waiting for a rebound in prices

Manufacturers are barely covering production costs and the bearish sentiment shows no sign of lifting, writes Greg McIvor

Pulp producers are used to false dawns. At the start of this year they were confidently predicting stronger prices: nine months on, they are still waiting for the rebound to arrive.

Prices of wood pulp, the key determinant of paper and packaging prices, have been dogged by weakness throughout 1998. Softwood pulp is currently at \$460 a tonne - less on the spot market - its lowest since 1994.

At rates like these, manufacturers are barely covering their production costs and the bearish sentiment that has enveloped the sector in recent months shows no sign of lifting.

News this week that North American and European pulp inventories increased sharply in August has deepened short-term pessimism and cast a shadow over prospects for paper prices.

The announcement that North American and Scandinavian (Norscan) stocks grew by 92,000 tonnes - or 5 per cent - last month was in line with market expectations. Nevertheless, many companies had hoped for a sign that warehouse levels might be stabilising, heralding a rise in pulp prices.

At 1.88tn tonnes, the Norscan inventory is well beyond the 1.5tn tonne

threshold traditionally deemed to indicate a good balance between supply and demand in the industry.

"Things will get worse before they get better," says Thomas Brodin, forestry specialist at Salomon Smith Barney in London. "I think we are going down to \$450. When the recovery point comes will depend on how inventories perform."

He points out that both customer and producer deliveries remain high, highlighting the overcapacity that plagues the sector. This excess capacity has been exacerbated by a lack of discipline among manufacturers in curbing supply, and a flood of hardwood pulp to Europe from hard-pressed Asian producers.

However, Mr Brodin says producers will soon have little option but to take downtime as pulp prices drop close to cost level. "They will be forced to take downtime because otherwise they will lose their shirts."

Two leading European pulp producers, Enso of Finland and Sweden's MoDo, yesterday announced temporary production halts in an attempt to curb further inventory build-up.

A belief among many analysts that pulp prices could fall further is reinforced by



However, he admits the outlook remained unpredictable. Paper and board grades are affected in varying degrees by lower pulp prices. Fine paper, used in offices and the more exposed to short-term pulp price falls.

MoDo said yesterday it believed a previously announced 4.8 per cent rise in the fine paper price from October 1 would be accepted by the market but industry observers are sceptical.

"I don't think the environment is right for a price increase. There is still a bit of a capacity overhang in the sector but the recovery will take time and will be slow," he says.

Cocoa below £1,000 a tonne

MARKETS REPORT

By Paul Solman

Cocoa prices fell below £1,000 a tonne for the first time in more than a year yesterday, as fears over Russian demand and rumours of a larger crop in Ivory Coast, the biggest producer, triggered heavy selling.

"The price is smashed; people who have gone long are panicking," said Tony Chadwick, at Prudential-Bache in London. "The main worry is Russia - talk of cancelled contracts and the fear it will spread to Europe."

There were also reports that Cadbury-Schweppes had temporarily halted production at its largest chocolate factory in Russia. By the close, December cocoa had clawed back to \$1,018 a tonne on the London International Financial Futures Exchange, down 217.

Analysts expect the price to pick up further. "There's an assumption that Russians will stop eating chocolate because of the crisis - but it's not going to happen," said Mr Chadwick.

In a report released today, ED&F Man said west African output was likely to be much lower this season, and there is a question mark over Indonesia, the third largest producer. "It is difficult to see how production growth can eliminate the deficit next season... Therefore the 1998-99 season is likely to yield the seventh production deficit in eight years."

Crude oil rose on London's International Petroleum Exchange, with December Brent at \$13.59 a barrel in late trading compared with Wednesday's close of \$13.36.

On the London Metal Exchange, base metals succumbed to economic worries, with three-month zinc shedding \$8 to close at \$1,000 a tonne.

CAP REFORM UK, ITALY, SWEDEN IN PLAN

EU pressed to abolish milk quotas

By Michael Smith in Brussels

The UK, Italy, Sweden and Denmark yesterday finalised plans to join forces to press for the abolition of European Union milk quotas, the Commission's proposals.

However, the proponents of deeper reform argue that their proposals would be overall CAP guidelines for the Commission to consider, and that the result would be a more competitive sector, better able to respond to market opportunities.

Their approach, they say in their paper, would gradually reduce support prices to world levels and would "liberate the EU from constraints on subsidised exports, leaving it free to compete for a growing share of world markets".

It would also put the EU in a strong position in the forthcoming negotiations within the World Trade Organisation, the paper argues.

The proponents of the plan also argue for the EU's so-called intervention mechanism, whereby it guarantees to buy butter and milk if prices fall below a certain level, to be replaced by private storage.

Under private storage arrangements, the EU would finance the temporary removal of produce from the market rather than purchase the products itself.

The four dissident states would have enough votes to form a blocking minority to any EU proposals on milk and could, in theory, prevent an extension of the quota system beyond 2000.

The Commission believes the intervention of the dissident countries will strengthen its hand in seeking reform.

Flooding pushes up the cost of raw jute

By Kamal Bose in Calcutta

Prices of raw jute are rising sharply as most jute growing areas in India and Bangladesh, the world's main producers, remain under flood waters. The Indian benchmark TD-4 has jumped 20 per cent to Rs600 a quintal (1,000kg) since the beginning of August.

"The price rise is due to the total dislocation in the movement of raw jute from the growing centres to the market in Calcutta," said D. J. Wadhwa, managing director of Champdany Industries, a big Indian jute group.

"We still do not know how much of the 1998-99 (July-June) crop is lost due to the floods,"

India, the largest jute producer, harvested over 10m bales of 180kg each last year and the industry's pre-flood forecast for this season was 8m bales.

The Indian Jute Balers Association (IJBA) says at least 1m bales will be lost in the floods and the jute trade has revised the crop estimate to 6.5m bales.

Jute producing centres such as Murshidabad, Dinapur, Malda, Jalpaiguri and lower Assam have seen large quantities of harvested jute washed away.

In Bangladesh, over 70 per cent of jute growing areas have been submerged. A crop of 4.5m bales was expected this year before the floods hit. Last year, the country produced a record crop of 6.3m bales.

Bangladesh has reserve stocks and should be able to maintain exports as well as provide jute for domestic factories. However, trade officials say there will be little jute left to carry over to the next season, causing runaway inflation in fibre prices starting in January.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Prices from Associated Metal Trading

All aluminium, 99.7 purity (5 per cent)

Date: 18/09/98

Close: 1321.22

Previous: 1321.22

High/Low: 1321.22/1321.22

All official: 1321.22

Near close: 1321.22

Open int.: 282,913

Total daily turnover: 102,184

All aluminium alloy (5 per cent)

Date: 18/09/98

Close: 1140.45

Previous: 1140.45

High/Low: 1140.45/1140.45

All official: 1140.45

Near close: 1140.45

Open int.: 7,737

Total daily turnover: 2,174

All lead (5 per cent)

Date: 18/09/98

Close: 511.12

Previous: 511.12

High/Low: 511.12/511.12

All official: 511.12

Near close: 511.12

Open int.: 3,779

Total daily turnover: 8,919

All nickel (5 per cent)

Date: 18/09/98

Close: 4000.10

Previous: 4000.10

High/Low: 4000.10/4000.10

All official: 4000.10

Near close: 4000.10

Open int.: 6,017

Total daily turnover: 16,248

All tin (5 per cent)

Date: 18/09/98

Close: 5450.50

Previous: 5450.50

High/Low: 5450.50/5450.50

All official: 5450.50

Near close: 5450.50

Open int.: 13,339

Total daily turnover: 2,334

All zinc, special high grade (5 per cent)

Date: 18/09/98

Close: 975.75

Previous: 975.75

High/Low: 975.75/975.75

All official: 975.75

Near close: 975.75

Open int.: 78,944

Total daily turnover: 92,325

All copper, grade A (5 per cent)

Date: 18/09/98

Close: 1630.40

Previous: 1630.40

High/Low: 1630.40/1630.40

All official: 1630.40

Near close: 1630.40

Open int.: 164,231

Total daily turnover: 57,172

All US dollar (USD) (5 per cent)

Date: 18/09/98

Close: 1.6371

Previous: 1.6371

High/Low: 1.6371/1.6371

All US dollar (USD) (5 per cent)

Date: 18/09/98

Close: 1.6371

Previous: 1.6371

PRECIOUS METALS continued

All gold COMEX (100 Troy oz; 5 per cent)

Date: 18/09/98

Close: 291.0

Previous: 291.0

High/Low: 291.0/291.0

All official: 291.0

Near close: 291.0

Open int.: 38,500

Total daily turnover: 38,500

All platinum COMEX (50 Troy oz; 5 per cent)

Date: 18/09/98

Close: 350.4

Previous: 350.4

High/Low: 350.4/350.4

All official: 350.4

Near close: 350.4

Open int.: 3,462

Total daily turnover: 3,462

All palladium COMEX (500 Troy oz; 5 per cent)

Date: 18/09/98

Close: 247.5

Previous: 247.5

High/Low: 247.5/247.5

All official: 247.5

Near close: 247.5

Open int.: 3,737

Total daily turnover: 3,737

All silver COMEX (50,000 Troy oz; 5 per cent)

Date: 18/09/98

Close: 493.7

Previous: 493.7

High/Low: 493.7/493.7

All official: 493.7

Near close: 493.7

Open int.: 87,129

Total daily turnover: 87,129

All energy

Date: 18/09/98

Close: 14.85

Previous: 14.85

High/Low: 14.85/14.85

All official: 14.85

Near close: 14.85

Open int.: 1,485

Total daily turnover: 1,485

All crude oil NYMEX (1,000 barrels; 5 per cent)

Date: 18/09/98

Close: 14.85

Previous: 14.85

High/Low: 14.85/14.85

All official: 14.85

Near close: 14.85

Open int.: 1,485

Total daily turnover: 1,485

All natural gas NYMEX (10,000 MMBtu; 5 per cent)

Date: 18/09/98

Close: 1.6371

Previous: 1.6371

High/Low: 1.6371/1.6371

All official: 1.6371

Near close: 1.6371

Open int.: 1,485

Total daily turnover: 1,485

All US dollar (USD) (5 per cent)

Date: 18/09/98

Close: 1.6371

Previous: 1.6371

High/Low: 1.6371/1.6371

All US dollar (USD) (5 per cent)

Date: 18/09/98

Close: 1.6371

Previous: 1.6371

High/Low: 1.6371/1.6371

All US dollar (USD) (5 per cent)

GRAINS AND OIL SEEDS

All wheat COMEX (5,000 bushels; 5 per cent)

Date: 18/09/98

Close: 71.50

Previous: 71.50

High/Low: 71.50/71.50

All official: 71.50

Near close: 71.50

Open int.: 1,485

Total daily turnover: 1,485

All soybean COMEX (5,000 bushels; 5 per cent)

Date: 18/09/98

Close: 28.50

Previous: 28.50

High/Low: 28.50/28.50

All official: 28.50

Near close: 28.50

Open int.: 1,485

Total daily turnover: 1,485

All corn COMEX (5,000 bushels; 5 per cent)

Date: 18/09/98

Close: 2.50

Previous: 2.50

High/Low: 2.50/2.50

All official: 2.50

Near close: 2.50

Open int.: 1,485

Total daily turnover: 1,485

All soybean oil COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

Close: 24.75

Previous: 24.75

High/Low: 24.75/24.75

All official: 24.75

Near close: 24.75

Open int.: 1,485

Total daily turnover: 1,485

All soybean meal COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

Close: 24.75

Previous: 24.75

High/Low: 24.75/24.75

All official: 24.75

Near close: 24.75

Open int.: 1,485

Total daily turnover: 1,485

All soybean meal COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

Close: 24.75

Previous: 24.75

High/Low: 24.75/24.75

All official: 24.75

Near close: 24.75

Open int.: 1,485

Total daily turnover: 1,485

All soybean meal COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

Close: 24.75

Previous: 24.75

High/Low: 24.75/24.75

All official: 24.75

Near close: 24.75

Open int.: 1,485

Total daily turnover: 1,485

All soybean meal COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

Close: 24.75

Previous: 24.75

High/Low: 24.75/24.75

All official: 24.75

Near close: 24.75

Open int.: 1,485

Total daily turnover: 1,485

All soybean meal COMEX (5,000 barrels; 5 per cent)

Date: 18/09/98

CAP REFORM

EU pressed to abolish milk quotas

By Michael Smith & Andrew...

The EU's push to abolish milk quotas is a significant step towards a more competitive and sustainable agricultural sector. The current system of quotas, which limits the amount of milk that can be produced in each country, has led to inefficiencies and high costs for consumers. By abolishing these quotas, the EU aims to encourage farmers to produce more milk at a lower cost, which will benefit both the industry and the public. This move is part of a broader effort to reform the Common Agricultural Policy (CAP) and make it more market-oriented. The EU has been under pressure from other countries, particularly the United States, to reduce its agricultural subsidies and trade barriers. Abolishing milk quotas is seen as a way to demonstrate the EU's commitment to free trade and competition. However, the move has also raised concerns among some farmers and industry groups who worry that it could lead to a loss of jobs and a decline in the quality of milk. The EU is currently negotiating with member states to reach a consensus on the new CAP reforms, and the abolition of milk quotas is a key part of these discussions.

JOFFER PAD

JOFFER PAD

CROSSWORD

CROSSWORD

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|----------------|--------|------|-------|-------|-------|
| Bermuda Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Bermuda Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

BERMUDA (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|----------------|--------|------|-------|-------|--------|
| Bermuda Fund 3 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Bermuda Fund 4 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 1 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 2 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 4 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

ROYAL BANK OF CANADA (RBC) FUND MANAGERS LTD

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|------------|--------|------|-------|-------|-------|
| RBC Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| RBC Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

AMC AMRO Global Liquidity Funds Ltd

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|------------|--------|------|-------|-------|-------|
| AMC Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| AMC Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

Calsonic Flight Select Funds Ltd

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|-------|
| Calsonic Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Calsonic Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

Bank of Ireland Unit Managers Ltd - Contd.

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|------------------------|--------|------|-------|-------|-------|
| Bank of Ireland Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Bank of Ireland Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

HSBC Asset Management - Contd.

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-------------|--------|------|-------|-------|-------|
| HSBC Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| HSBC Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

Robinson Investment Mgmt (Jersey) Ltd

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|-------|
| Robinson Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Robinson Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

Prudential Fund Managers (Jersey) Ltd

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-------------------|--------|------|-------|-------|-------|
| Prudential Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Prudential Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|-------|--------|
| Guernsey Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Guernsey Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |


GUERNSEY (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Guernsey Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

GUERNSEY (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------------|--------|------|-------|--------|--------|
| Guernsey Fund 5 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Guernsey Fund 6 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

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and accurate data long after we're all finished ringing in the new year



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| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------|--------|------|-------|-------|-------|
| Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

IRELAND (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|----------------|--------|------|-------|-------|--------|
| Ireland Fund 1 | 300.00 | 3.00 | 30.00 | 60.00 | 90.00 |
| Ireland Fund 2 | 400.00 | 4.00 | 40.00 | 80.00 | 120.00 |

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------|--------|------|-------|--------|--------|
| Fund 3 | 500.00 | 5.00 | 50.00 | 100.00 | 150.00 |
| Fund 4 | 600.00 | 6.00 | 60.00 | 120.00 | 180.00 |

IRELAND (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|----------------|--------|------|-------|--------|--------|
| Ireland Fund 3 | 700.00 | 7.00 | 70.00 | 140.00 | 210.00 |
| Ireland Fund 4 | 800.00 | 8.00 | 80.00 | 160.00 | 240.00 |

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-----------|---------|-------|--------|--------|--------|
| Fund 5 | 900.00 | 9.00 | 90.00 | 180.00 | 270.00 |
| Fund 6 | 1000.00 | 10.00 | 100.00 | 200.00 | 300.00 |

IRELAND (REGULATED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|----------------|---------|-------|--------|--------|--------|
| Ireland Fund 5 | 1100.00 | 11.00 | 110.00 | 220.00 | 330.00 |
| Ireland Fund 6 | 1200.00 | 12.00 | 120.00 | 240.00 | 360.00 |

LUXEMBOURG (FSA RECOGNISED)

| Fund Name | Assets | NAV | YTD | 3Y | 5Y |
|-------------------|--------|------|-------|-------|-------|
| Luxembourg Fund 1 | 100.00 | 1.00 | 10.00 | 20.00 | 30.00 |
| Luxembourg Fund 2 | 200.00 | 2.00 | 20.00 | 40.00 | 60.00 |

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ment in government bonds, seen prominently among

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LONDON STOCK EXCHANGE

Equities retreat as Greenspan speech disappoints

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The three-day rally in London's equity market was brought to an abrupt halt yesterday, with stock prices diving and wiping out almost all the gains so carefully garnered in the previous three sessions.

The damage to the market's still-fragile confidence came from general disappointment that Alan Greenspan, chairman of the US Federal Reserve, did not make any reference to the

possibility of a reduction in US interest rates in his speech on Wednesday.

And his statement that there was, at present, no plan to co-ordinate interest rate cuts, was taken badly by Asian and European stock markets.

At the finish of a session of unrelenting weakness, the FTSE 100 index closed 158.8, or 3 per cent, lower at 5,152.9, the fifth-worst points fall on record.

The weakness in equities was in stark contrast to big gains in 10-year yield on the US Federal Reserve, did not make any reference to the

since 1957. The market's second-liners and smallcaps also took a hammering but much less than front-line issues. The FTSE 250 dipped 71.4 or 1.5 per cent to 5,132.9, and the FTSE SmallCap 19.6 or 1 per cent to 2,072.2.

London's performance, although dire, was by no means as bad as its European counterparts. Frankfurt and Paris dropped around 5 per cent, the latter hampered by a shock profits warning from Alcatel.

A series of poor results and profit warnings from a number of leading companies was another factor

behind a general rout in the UK stock market. Those disappointing numbers and warnings added to the growing view among analysts that the corporate earnings outlook for this year and next is deteriorating by the day.

And stockbrokers also pointed out that the weakness in the market is "killing off primary business", as one put it. "Much of the corporate activity so painstakingly planned in recent months, is being pulled."

Dealers also took the view that this morning's dual expiry of the FTSE future

and index options might well bring further excessive pressures to bear on market sentiment.

The extent of the sell-off took many dealers by surprise with many noting that Wall Street had plenty of time on Wednesday evening to digest Mr Greenspan's comments.

Rather, they said, it was the threat of a spread of the Asian/Russian crises to Latin America that prompted much of the weakness in global markets.

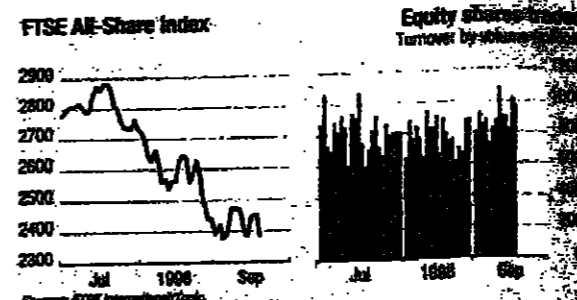
Add in the shock to the Paris market of the Alcatel profits warning, which

knocked 38 per cent off the stock's value, and the result was a very bad day for equity sentiment.

The list of winners in the FTSE 100 just crept into double figures, but featured one of the insurance stocks, GRE, long regarded as a takeover target.

The losers list was headed by British Aerospace, whose share price was crippled by cashflow concerns rather than perfectly acceptable interim results.

Turnover in equities was 979.3m shares by the 6pm cut, of which 53 per cent was in non-Footsie stocks.



Indices and ratios

| Index | Value | Change | Ratio |
|----------------------|---------|--------|--------|
| FTSE 100 | 5152.9 | -158.8 | 3152.9 |
| FTSE 250 | 5132.9 | -71.4 | 3152.9 |
| FTSE SmallCap | 2072.2 | -19.6 | 3152.9 |
| FTSE All-Share | 2384.94 | -64.72 | 10.19 |
| FTSE All-Share yield | 3.22 | 3.21 | 1.62 |

Best performing sectors

| Sector | Change |
|-------------|--------|
| 1 Food | +1.09 |
| 2 Insurance | +0.41 |
| 3 Utilities | +0.39 |
| 4 Water | +0.02 |
| 5 Tobacco | -0.54 |

Worst performing sectors

| Sector | Change |
|-------------|--------|
| 1 Food | -1.09 |
| 2 Insurance | -0.41 |
| 3 Utilities | -0.39 |
| 4 Water | -0.02 |
| 5 Tobacco | 0.54 |

Brokers hit food groups

COMPANIES REPORT

By Joel Khazoo and Martin Brice

Food retailers came under sustained pressure after a couple of brokers turned negative on the sector.

BT Alex Brown downgraded its recommendation from "neutral" to "underweight" while Teather & Greenwood advised clients to "sell" the sector.

David McCarthy at BT Alex Brown cited weak industry sales and pressure on gross margins for the move before adding that "adverse differential inflation also makes for a difficult trading environment".

Analysts at Teather & Greenwood said: "Following recent downgradings amongst the majors, earnings per share growth in the sector for the current year has all but evaporated. While the sector has been less impacted by global events than others, this is a worrying development and undermines the perceived safe-haven status."

The negative sector stance coincided with news that J Sainsbury is to launch an advertising campaign next week in a move dealers said was confirmation of pressures on the sector and the group.

Sainsbury shares fell 37 to 525p as the company continued to meet analysts. CSFB was said to have reiterated its sell stance while Credit Lyonnais Securities was reported to have suggested a switch into Tesco, 8 lower at 163p. The negative sentiment in the sector also saw Asda Group fall 6 1/4 to 174 1/2p. Sainsbury lost 12 1/4 to 308 1/2p.

British Aerospace ended a roller-coaster ride. In early trading the shares responded well to interim results that came in broadly in line with expectations. However, a closer look by analysts at the results statement saw the shares lose gains. They

FT 30 INDEX

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

FT 30 hourly changes

| Hour | Value |
|------|--------|
| 9 | 5152.9 |
| 10 | 5152.9 |
| 11 | 5152.9 |
| 12 | 5152.9 |
| 13 | 5152.9 |
| 14 | 5152.9 |
| 15 | 5152.9 |
| 16 | 5152.9 |
| 17 | 5152.9 |
| 18 | 5152.9 |
| 19 | 5152.9 |
| 20 | 5152.9 |

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STOCK MARKET TRADING DATA

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

London market data

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

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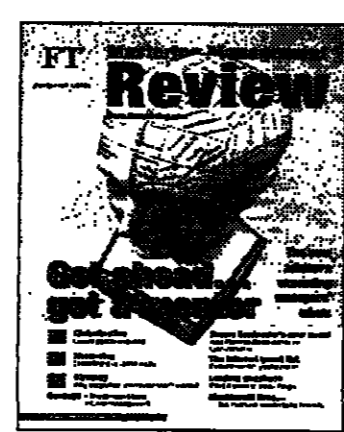
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Best and worst performing FTSE sectors



Source: Datastream/FT

with Saudi Arabia. In the first half of the year, low oil prices affected BAE's cash flow due to a discrepancy between Al Yamamah oil revenue and the value of deliveries it had made.

Among retail banks, HSBC and Standard Chartered retreated after SBC Warburg Dillon Read was reported to have chopped its profit expectations for both groups because of the downturn in Asian economies.

The broker also downgraded the recommendation on the two banking giants from "buy" to "hold".

Warburg was said to have cut its current year forecast for HSBC from £7.02bn to £6.10bn and the following year's estimate to £6.31bn from £8.30bn.

Current year profit expectations at Standard were downgraded to £77m from £94m and it reduced its 1999 estimate to £68m from £94m.

The profit warning from RMC that highlighted a decline in building activity in eastern Germany and subdued demand in the UK prompted downgrades as the stock fell 68 to 682p. Earlier

this year the shares stood at £14.

Analysis had not expected to see much of an advance on the previous interim figure of £115m pre-tax, but were unhappy to see a fall of 3 per cent.

The company pointed to bad weather in the US and northern Europe, poor trading in eastern Germany and Israel, the strong pound, subdued demand in the UK and Austria, and political unrest in Indonesia. Before the interim results, a consensus of analysts' forecasts suggested they expected a full-year pre-tax result of about £130m but there was talk that downgrades were being made of £30m.

Circle blues

The poor sentiment spread to Blue Circle which fell 22 1/2 to 244 1/2p ahead of results today. It is highly exposed to emerging markets and analysts have pencilled in an 8 per cent fall in the interim figures.

The profit warning by Alcatel that wreaked such damage on the European stocks also took its toll on GEC which fell 39 to 434p. The company owns a 24 per cent stake in Alstom, its former joint venture with Alcatel.

Nervous trading in hotels and gaming group Ladbroke Group saw the shares decline 23 1/4 to 221 1/2p. Talk in the market suggested the government will soon pub-

lish the Monopolies and Mergers Commission investigation into the Ladbroke's takeover of the Coral betting shop chain in January.

The MMC handed its recommendations to the Department of Trade and Industry on July 24.

Strength in the bond market was said to be behind the advance by Guardian Royal Exchange. The shares jumped 9 1/4 to 251 1/4p, the best performer in the FTSE 100.

Figures at the bottom of market expectations saw shares in clothes retailer Next surrender 3 1/4 to 407p. General profit-taking was also said to have played a part in the retreat.

Next reported a sharp fall in interim profits from £71.2m to £50.2m after problems with its spring and summer ranges, but was confident of recovery in the second half and said like-for-like sales in the first six weeks of the autumn/winter season for its retail operations were up 1.5 per cent.

Cable group Telewest Communications was the best performer in the FTSE 250 as investors piled into the shares ahead of the stock's entry into the FTSE 100 index on Monday. By the close, volume had reached a hefty £12m.

Sentiment in the stock was also helped by Tuesday's news that US media company MediaOne International had conditionally agreed to raise its stake in Telewest.

Confirmation that EMI has pulled out of the bidding for Polygram's film division, provided good support for the shares which had fallen away after EMI expressed its original interest.

The defensive qualities of utilities brought that sector to the fore. Centrica edged up 2 1/4 to 102 1/4p, PowerGen 1 1/4 to 80 1/4p, National Grid 2 1/4 to 221 1/2p. Talk in the market suggested the government will soon pub-

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 5240.0 | 5125.0 | -165.0 | 5244.0 | 5093.0 | 45461 | 17045 |
| Dec | 5220.0 | 5200.0 | -171.0 | 5232.0 | 5168.0 | 45461 | 17045 |
| Mar | 5200.0 | 5200.0 | -171.0 | 5232.0 | 5168.0 | 45461 | 17045 |

FTSE 250 INDEX FUTURES (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 4700.0 | 4700.0 | -70.0 | 4700.0 | 4700.0 | 0 | 556 |
| Dec | 4700.0 | 4700.0 | -70.0 | 4700.0 | 4700.0 | 0 | 7091 |

FTSE 100 INDEX OPTION (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 556 |
| Dec | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 7091 |

FTSE 250 INDEX OPTION (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 556 |
| Dec | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 7091 |

FTSE 100 INDEX OPTION (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 556 |
| Dec | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 7091 |

FTSE 250 INDEX OPTION (LFFE) £10 per full index point

| Index | Open | Settle | Change | High | Low | Est. vol. | Open int. |
|-------|--------|--------|--------|--------|--------|-----------|-----------|
| Sep | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 556 |
| Dec | 4690.0 | 4690.0 | -70.0 | 4690.0 | 4690.0 | 0 | 7091 |

1. LSE market data. 2. Underlying index value. Premiums shown are based on settlement prices.

LONDON RECENT ISSUES: EQUITIES

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

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| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

FTSE GOLD MINES INDEX

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

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The UK Series

| Index | Value | Change |
|-------------|--------|--------|
| FT 30 | 5152.9 | -158.8 |
| FT 100 | 5152.9 | -158.8 |
| FT 250 | 5132.9 | -71.4 |
| FT SmallCap | 2072.2 | -19.6 |

FTSE Actuaries Industry Sectors

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 Yen Index
 DM Index
 Local Currency Index
 Local % chg on Yen
 Grain (Dn. Yield)
 US Dollar Index
 Starting Index
 Yen Index
 DM Index
 Local Currency Index
 52 week High
 52 week Low
 Year (open)
 Market
 Sept 16
 Days % Chg
 Starting Index
 2010/01
 Australia (Sep 17 / AUS\$)
 US Dollar Index
 Days Change %
 Starting Index
 Yen Index
 DM Index
 Local Currency Index
 52 week High
 52 week Low
 Year (open)
 Market
 Sept 16
 Days % Chg
 Starting Index
 2010/01
 Australia (Sep 17 / AUS\$)
 US Dollar Index
 Days Change %
 Starting Index
 Yen Index
 DM Index
 Local Currency Index
 52 week High
 52 week Low
 Year (open)
 Market
 Sept 16
 Days % Chg
 Starting Index
 2010/01
 Australia (Sep 17 / AUS\$)

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THE NASDAQ STOCK MARKET

| AMERICAN STOCK MARKET | | | | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Stock | High | Low | Open | Close | Change | Volume | High | Low | Open | Close | Change |
| Am. Express | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tobacco | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Oil | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Sugar | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tea | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Coffee | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rubber | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Paper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Glass | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Steel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iron | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Copper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zinc | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Lead | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tin | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Nickel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Silver | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Gold | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Platinum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Palladium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iridium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhodium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Selenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tellurium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Vanadium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zirconium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Niobium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Manganese | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Chromium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Cobalt | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Molybdenum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 | | | | |

| AMERICAN STOCK MARKET | | | | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Stock | High | Low | Open | Close | Change | Volume | High | Low | Open | Close | Change |
| Am. Express | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tobacco | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Oil | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Sugar | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tea | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Coffee | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rubber | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Paper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Glass | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Steel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iron | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Copper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zinc | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Lead | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tin | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Nickel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Silver | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Gold | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Platinum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Palladium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iridium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhodium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Selenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tellurium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Vanadium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zirconium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Niobium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Manganese | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Chromium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Cobalt | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Molybdenum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 | | | | |

| AMERICAN STOCK MARKET | | | | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Stock | High | Low | Open | Close | Change | Volume | High | Low | Open | Close | Change |
| Am. Express | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tobacco | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Oil | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Sugar | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tea | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Coffee | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rubber | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Paper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Glass | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Steel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iron | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Copper | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zinc | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Lead | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tin | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Nickel | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Silver | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Gold | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Platinum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Palladium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Iridium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhodium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Rhenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Selenium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Tellurium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Vanadium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Zirconium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Niobium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Manganese | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Chromium | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Cobalt | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 |
| Am. Molybdenum | 10 1/2 | 10 1/4 | 10 1/4 | 10 1/4 | 0 | 100 | 10 | | | | |

STOCK MARKETS

Fading rate hopes trigger global sell-off

WORLD OVERVIEW

Global equity markets turned tail yesterday, knee-jerked into a widespread selling binge by the collapse of hopes for declining world interest rates, writes Jeffrey Brown.

Alan Greenspan, chairman of the US Federal Reserve, said on Wednesday: "At the moment there is no endeavour to co-ordinate interest rate cuts." It was precisely what equity markets had not

wanted to hear. Asia set the bears running with Tokyo sliding 2.4 per cent and Hong Kong off 3.6 per cent.

By the time European markets got underway the evil eye was firmly in place and investors were switching heavily into debt markets.

The trend was given added rapid momentum by a profits warning from Alcatel, the French telecoms equipment leader, which announced at the opening that its core

markets were under pressure. In Paris from then on it was every man for himself, with shares sliding precipitously, setting alarm bells ringing across Europe.

With their respective bond markets pushing dramatically higher and Wall Street opening with heavy declines, Paris ended 5.5 per cent lower and Frankfurt 5 per cent off.

The shakeout at Alcatel spilled over across the global telecommunications sector

with even more dramatic effect.

Telecoms shares, both operators and equipment makers, have been strong relative performers this year, buoyed by the conviction that earnings were supported by the growth of data communications and mobile telephone demand.

Although the telecoms utilities were inevitably caught up in yesterday's downturn, it was the equipment makers, like Ericsson

and Nokia, that took the heaviest knocks.

Moreover, one of the more obvious trends within the wave of selling of equities generally was that investors were heavily targeting manufacturing industry. The main worry appeared to be that demand was drying up and money costs - to judge by Mr Greenspan - were not coming down quickly enough.

Against this background, most equity strategists were

waiting for the dust to settle, but yesterday some were pushing home recent points. J.P. Morgan, for example, has for some time seen shares as attractive relative to bonds, a theory that the latest equity fallout will have sharpened.

Although some allowance should be made for easing profits and over-bought positions in bonds, the broker suggests that equities are 30 per cent cheaper relative to bonds.

EMERGING MARKET FOCUS

Mexico holiday ends in hangover

Mexicans returned from Independence Day celebrations yesterday to find a new thundercloud hanging over their financial markets.

Shockwaves again rippled up from the battered Brazilian stock market following Wednesday's comments from US policymakers suggesting there was no co-ordinated effort to cut global interest rates, nor the likelihood of any immediate bail-out of Brazil by the International Monetary Fund.

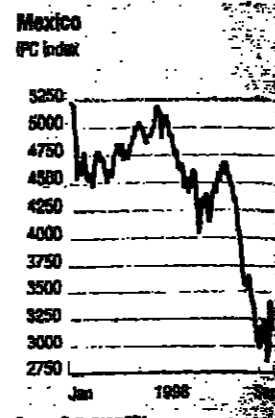
That put an immediate halt to the stunning three-day rebound Mexico enjoyed before its markets closed for the September 16 holiday.

"The rally was purely based on the potential IMF package for Brazil, which proved to be unfounded in the sense that there's nothing concrete," said Paul Daniel, an equity salesman at BBV Securities in London.

Yesterday, Mexico's IPC index fell sharply, losing some of the 13 per cent gains it notched up on Tuesday. The peso slipped and rates on short-term Treasury bills - which on Tuesday reached their highest level since December 1995 - rose again.

In dollar terms, the stock market was 80 per cent off its level at the start of the year and the peso was down 13.5 per cent against the US currency since mid-August. The main factor was Brazil, caught by the same stampede of foreign investors out of large emerging markets that caused devaluations in Russia and south-east Asia. In times of trouble, investors in Latin America tend to lump all the region's markets together and sell.

Some economists believed Mexico should remain above the fray because of its proximity to the US and structural reforms after its own 1994 devaluation. In a sign of austerity, it had a fiscal surplus in the first six months of the year, despite oil revenues down at 10-year lows. "Mexico is being extremely



Source: DataStream

proactive. It's being hit unduly hard," said John Welch, Latin American economist at Paribas in New York.

On the other hand, Mexico has a widening current account deficit, inflation running above the central bank target at about 1 per cent a month, a dependence on oil exports, and a tottering banking system.

To get it out of trouble, the government is no longer able to rely on the grip the ruling Institutional Revolutionary party has had for almost seven decades on Congress.

Opposition parties, who held their first-ever majority in the lower house, have blocked many government efforts at financial reform and analysts said they could oppose potential emergency measures such as tax rises or additional privatisations to shore up public finances.

Investors cheered on Tuesday when the government and opposition parties reached broad agreement on how to deal with the \$65bn cost of a three-year bail-out of the banking sector.

But the accord later looked sketchy. "What they agreed was totally non-controversial. Everything was motherhood and apple pie," said Damian Fraser, director of research at Warburg Dillon Read in Mexico City.

Henry Tricks

Selling spree puts cap on Dow rebound

AMERICAS

US shares were hit by a flood of selling from the opening bell, which sent the Dow Jones Industrial Average down more than 200 points in the first 20 minutes of trading, writes John Labate in New York.

"I think we're just being bombarded with negative earnings news left and right," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut. "I don't see that ending anytime soon."

Weakness in Latin American markets and Mr Alan Greenspan's recent congressional testimony, in which he did not suggest the Federal Reserve's outlook on interest rates had changed, were seen as major factors contributing to the market's tone.

The sell-off was widespread, reversing four days of solid gains for prices. By early afternoon the Dow Jones Industrial Average was down 192.84 or 2.4 per cent at 7,896.94, while the Standard & Poor's 500 fell 24.98 to 1,020.50. Declining issues led advancing ones by a margin of more than 4 to 1 in New York.

Telecoms came under pressure after Alcatel of France issued a profits warning. ADR shares of the company tumbled 38 per cent to \$19.47. AT&T was off \$1.41 at \$57.4.

Gillette, the consumer products company, which recently issued its own warning, plunged 83% or more than 7 per cent to \$39.87 after Goldman Sachs and

Merrill Lynch cut their earnings estimates.

Among Dow component shares, Travelers lost 5 per cent to \$40.75 while Procter & Gamble fell \$2.41 at \$67.4.

Technology and small-cap shares gave ground as well, sending the Nasdaq composite tumbling 39.57 or 2.3 per cent at 1,650.34. The Russell 2000 index fell 6.79 at 353.06.

Shares of Rubbermaid plunged more than 6 per cent to \$11.23, after CIBC Oppenheimer scaled back its earnings view. Among widely held high-tech shares, Cisco Systems lost \$2.41 to \$62.41, and software leader Microsoft lost \$2.31 at \$105.74.

TORONTO fell 2.2 per cent at midsession as the Canadian dollar continued its fall after prime minister Jean Chretien called for a cut in US and Canadian central bank rates for the sake of the global economy.

By midday, the TSE-300 composite index was 128.15 lower at 5,776.90 in volume of 28.5m shares.

Among individual stocks, Bank of Montreal lost \$2.35 to \$25.80 after announcing \$80m of after-tax losses in junk bond trading since August.

Northern Telecom lost \$4.80 to \$34.00 on general weakness in telecommunications and high-tech stocks. Analysts said the sectors were hurt by Tuesday's announcement from Nortel that it would cut 4 per cent of its global staff, which suggested the company had overextended itself in recent acquisitions.

São Paulo leads fallers

Latin American markets were in full downward flight in early trading, hit by worries about interest rates. SAO PAULO plunged from the opening bell. With shares down 10 per cent after the first 30 minutes of trading, the authorities halted proceedings.

When trading resumed there were signs of a modest recovery, but at midsession the benchmark Bovespa index was still down \$40 or 8 per cent at 6,520. Telebras fell 5.3 per cent to R\$79.20, while Petrobras came off 12.5 per cent at R\$118. Eletrobras fell 10.6 per cent to R\$23.25.

BUENOS AIRES was off its lows, but still in negative territory at midsession following a sharp morning tumble in tandem with world markets.

The Merval index, which tested a low of 352.06, was 16.26 or 4.4 per cent down at 352.34. Real estate group ISA led the tumble with a fall of 10 per cent to 1.87 pesos.

SANTIAGO held its fall to 2 per cent in spite of the central bank's move to raise its interbank lending rate after the market closed on Wednesday. The IPSA index was 1.18 lower by midsession at 57.92.

EUROPE

Telecoms shares fell steeply after a profit warning from French manufacturer Alcatel. The group announced it was facing problems in core markets and ended a dramatic day with a decline of 38.4 per cent or FF356 at a record low of FF571.

Frantic selling pushed Alcatel down to FF523 at one stage, causing trading to be suspended three times. By the close, turnover in the stock was a record FF5.2bn, more than a quarter of total market turnover.

The reverberations were felt Europe-wide among telecom equipment manufacturers. Germany's Siemens dropped DM10.75 (or 5.8 per cent) to DM180.50, Philips the Dutch giant lost F19.70 (8.8 per cent) to F190.70, Finland's Nokia fell FM34 (7.7 per cent) to FM410, Sweden's Ericsson tumbled SEK14.50 (8.1 per cent) to SEK144 and Spain's Amper lost Pta190 (7.1 per cent) to Pta2,500.

Network operators were also hit. France Telecom fell FF34.80 to FF34.25, Deutsche Telekom lost 75 pf to DM62, Telefonica de Spain gave up Pta210 to Pta1,170 and Portugal Telecom Es530 to Es7,331.

PARIS ended 204.0 lower at 3,525.26 on the CAC 40 index after reaching a low of 3,497.70 during the day. Despite this bounce off the bottom, the market remained deeply troubled with manufacturing industry taking most of the pain.

Schneider and Lagardère both fell more than 10 per cent, tumbling FF39.90 to FF295 and FF23 to FF192, while Renault came off FF22.80 or 6.5 per cent at FF245.20. Cap Gemini FF97 to FF73 and STMicroelectronics FF27 to FF313.

The sellers continued to target the hard-pressed banking sector. CCF lost FF34.9 or 8.5 per cent at FF374.5 and Societe Generale shed FF34 at FF772. Oils were a rare defensive play. Total, tracking another gain for oil prices, added FF6 to FF686.

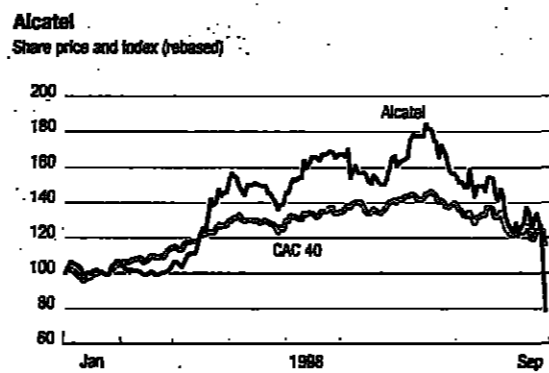
FRANKFURT was sharply lower as diminishing hopes moved up to the psychologically important \$290 dollars an ounce level.

Industrials slid 255.8 or 4.1 per cent to \$,460.0 and financials lost 136.4 or 2 per cent to \$,682.1, contributing to a fall in the overall index of 140.5 or 2.8 per cent at 4,868.0.

Rally runs out of steam

SOUTH AFRICA

Johannesburg cut short its three-day rally although gold stocks went against the weaker trend, after starting the day lower. The gold index finished 27.7 higher at 1,024.0 as the price of bullion



Source: DataStream

for a rate cut left investors disappointed. The Xetra Dax index finished 243.15 lower at 4,829.03.

SAP, down 5 per cent on Wednesday on concerns that a profits warning might be

| THE DAY'S CHANGES | |
|-------------------|----------|
| | % Change |
| Helsinki..... | -5.5 |
| Paris..... | -5.5 |
| Milan..... | -5.2 |
| Oslo..... | -5.2 |
| Frankfurt..... | -5.0 |
| Zurich..... | -4.7 |
| Madrid..... | -4.2 |
| Stockholm..... | -3.9 |
| Amsterdam..... | -3.9 |

on the way, tumbled another DM139 or 14.3 per cent to DM830 as Bank Julius Baer downgraded the stock on the view that second-half results were likely to be worse than first-half figures. The bank said the shares would have "fair value" around DM550-DM650.

SGL Carbon crashed DM36.20 or 24 per cent to DM114.60 after denying rumours that DM410m of provisions set aside for a US anti-trust investigation were insufficient.

ZURICH featured a 10.8 per cent drop in CS Group amid rumours the bank might have an exposure of several hundred million dollars in the US-based Westbridge Capital, which has filed for Chapter 11. CS, which said later its exposure was less than \$20m, fell SF22.50 to a new low for the year of SF185.50. The SMI index fell 313.4 to 6,405.2.

AMSTERDAM saw declines of more than 6 per

BANK OF GREECE
US\$500,000,000
Floating rate notes 1998
Notice is hereby given that the notes will bear interest at 6.25% per annum for the period 18 September 1998 to 18 December 1998. Interest payable on 18 December 1998 per US\$1,000 note will amount to US\$15.80.
Global Agency and Trust Services, Citibank, N.A., London
18 September 1998
CITIBANK

GENERAL MOTORS CORPORATION
Notice of the Dividend Declaration: The Board of Directors of General Motors Corporation has declared a dividend of \$0.40 per share for the quarter ended September 30, 1998. The dividend is payable on October 15, 1998 to shareholders of record as of September 30, 1998.
Global Agency and Trust Services, Citibank, N.A., London
18 September 1998
CITIBANK

U.S. \$200,000,000
HSBC Americas, Inc.
Member HSBC Group
Floating Rate
Subordinated Notes Due 2000
Interest Rate: 3.875% p.a.
Interest Period: 18th September 1998 to 18th December 1998
Interest Amount per U.S. \$200,000 Note: \$15.80
Credit Suisse First Boston (Europe) Ltd.
Agent

Financial Times Surveys
Osaka
Monday October 19
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email: larry.kenney@FT.com
FINANCIAL TIMES
No FT, no comment.

FIDELITY FAR EAST FUND
Société d'investissement à Capital Variable
Kansallis House - Place de l'Étoile
B.P. 2174, L-1021 Luxembourg
R.C. Luxembourg B 16926
NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING
As the Extraordinary General Meeting of September 1, 1998 did not reach the quorum of 50% required by law, notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Far East Fund S.A. ("the Company") will be held at the registered office of the Company in Luxembourg on October 5, 1998 at 11.00 a.m. to consider the following agenda:
1. To resolve to liquidate the Company.
2. To appoint Fidelity Investments Luxembourg S.A. as the Liquidator and to determine the powers to be granted to the Liquidator and the liquidation procedure.
3. To fix the date of the second Shareholders' Meeting to hear the Report of the Liquidator and to appoint Coopers and Lybrand, Luxembourg as the Auditors of the Company.
4. To fix the date of the third Shareholders' Meeting to hear the Report of the Auditor and to decide the close of the Liquidation of the Company.
No quorum of shares present or represented at the Meeting is required in order to deliberate validly on the agenda. A decision in favour of Resolution no. 1 of the agenda must be approved by Shareholders holding at least 2/3 of the shares represented at the Meeting.
Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act by proxy.
BY ORDER OF THE BOARD OF DIRECTORS
July 10, 1998
Fidelity Investments

FIDELITY SPECIAL GROWTH FUND
Société d'investissement à Capital Variable
Kansallis House - Place de l'Étoile
B.P. 2174, L-1021 Luxembourg
R.C. Luxembourg B 20095
NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING
As the Extraordinary General Meeting of September 1, 1998 did not reach the quorum of 50% required by law, notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Special Growth Fund S.A. ("the Company") will be held at the registered office of the Company in Luxembourg on October 5, 1998 at 11.00 a.m. to consider the following agenda:
1. To resolve to liquidate the Company.
2. To appoint Fidelity Investments Luxembourg S.A. as the Liquidator and to determine the powers to be granted to the Liquidator and the liquidation procedure.
3. To fix the date of the second Shareholders' Meeting to hear the Report of the Liquidator and to appoint Coopers and Lybrand, Luxembourg as the Auditors of the Company.
4. To fix the date of the third Shareholders' Meeting to hear the Report of the Auditor and to decide the close of the Liquidation of the Company.
No quorum of shares present or represented at the Meeting is required in order to deliberate validly on the agenda. A decision in favour of Resolution no. 1 of the agenda must be approved by Shareholders holding at least 2/3 of the shares represented at the Meeting.
Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act by proxy.
BY ORDER OF THE BOARD OF DIRECTORS
July 10, 1998
Fidelity Investments

ASIA PACIFIC

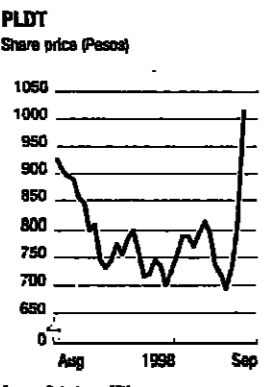
Investor frustration over the political impasse over a financial reform bill pushed TOKYO to a 12-year low, sending the Nikkei 225 Average down 2.38 per cent or 338.56 to 13,858.14, writes Alexandra Harney in Tokyo.

Bond yields slid to record lows as investors moved from equities into fixed-income assets. The yield on the benchmark 10-year contract broke the record set earlier this week to close down 0.085 at 0.88 per cent, after falling as low as 0.87 per cent during the day.

In equities trading, nearly every sector posted losses, with paper and pulp falling 3.5 per cent. Banks fell 1.7 per cent, and securities stocks lost 3.2 per cent amid renewed concern about the financial sector.

The market's momentum was strongly negative, with 912 shares closing down compared with 239 ahead. During the day, the benchmark Nikkei 225 fluctuated between 13,784.07 and 14,279.77.

Politicians appeared closer to compromise on a bill to tackle the banks' huge bad loan problem, but the fate of



Source: DataStream

the troubled Long Term Credit Bank of Japan remained unclear. Shares in LTCB, which is at the centre of the political debate, slid Y3 to close at Y22. Fuji Bank, which is believed to be suffering from heavy losses from derivatives trading, fell Y12 to Y352. Sakura Bank was down Y4 to Y247.

The Topix index of all first-sector stocks fell 1.7 per cent or 18.44 to 1,069.06. Turnover remained weak at 410m shares. In Osaka, the OSE lost 194 at 14,714.

MANILA shot higher after a planned rights issue by market heavyweight PLDT was put on ice. PLDT soared

205 pesos or 25 per cent to 1,015 pesos on the news and by the close of trading the central bank's move to raise its interbank lending rate, a seven-month peak.

PLDT's rights plans - effectively a poison pill to block any takeover - were announced last month when rumours of a foreign bid were rife. Traders yesterday saw the shares as back in play. The hot tip in Manila was that Spanish telecoms giant Telefonica was attempting to buy a stake in PLDT, which has now risen 65 per cent in five sessions.

HONG KONG took its lead from HSBC as the banking giant fell to its lowest level for nearly two years. The Hang Seng index fell 24.11 or 3.61 per cent to finish at 7,576.57 in turnover that slipped to HK\$4.9bn.

A HK\$8.50 tumble in HSBC Holdings to HK\$141.50 was attributed to continued selling pressure on worries about rising bad debts in south-east Asia and concerns about a slowdown in the global economy.

One analyst noted that in the past three years, HSBC had traded at an average discount of 14 per cent to its fair value. If HSBC was

going to trade at its old valuation, it could fall to HK\$118. China plays lost steam on profit-taking after their powerful rally in recent sessions. The China-Affiliated Corporations index slumped 5.7 per cent and H shares sank 6.8 per cent.

KUALA LUMPUR was lower on profit-taking and concerns that the holders of Malaysian shares traded on Singapore's over-the-counter market would dump their holdings.

The composite index finished 7.49 or 1.9 per cent lower at 366.55.

BANGKOK edged ahead after an active day for selected bank shares amid talk of foreign alliances.

Bank of Asia rose Bt2.10 to Bt12. Thai Danu Bank Bt1 to Bt7.50 and Nakornthon Bank Bt0.90 or 25.7 per cent to Bt4.40. The SET index ended 1.35 higher at 220.05.

JAKARTA was hit by worries of deepening social unrest and possible currency controls. The composite index fell 5.44 or 1.9 per cent to 285.48.

Heightened speculation that the Indonesian government could tighten the rupiah regime prompted sell orders by overseas investors.

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